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**FIRST STEP FOR LEWIS** — Carl Lewis of the United States taking a victory lap after winning the 100-meter dash at the Olympic Games in Los Angeles. His time in Saturday's race was 9.99 seconds. Lewis also hopes to win gold medals in the 200-meter dash, long jump and 400-meter relay. Full coverage of the games, Pages 14 and 15.

## Actor Richard Burton Is Dead of Stroke at 58

**LONDON** — Richard Burton, 58, whose acting career ranged from the classical theater to the Hollywood screen, died Sunday of cerebral hemorrhage in a hospital in Geneva.

Nancy Seltzer, Mr. Burton's publicist in New York, confirmed a report of his death carried by the British Broadcasting Corp. in London. She said she was not aware that he had been ill.

Mr. Burton owned a home in the village of Celigny, near Geneva. London Broadcasting Corp. Radio said he was rushed to the hospital after feeling ill there.

Mr. Burton was also known for his love life and stormy relationship with the actress Elizabeth Taylor, whom he married twice. His widow, Sally Hay, 36, a former BBC production assistant who became his fifth wife last year.

Most recently the actor had been working in a new film version being made in Britain of George Orwell's novel "Nineteen Eighty-Four."

The Welsh-born actor said last week that he was in "semi-retirement." But he was planning a busy work schedule. He was to go to Berlin soon to work in "The Godfather Part II" and then to India to star in a new film version of Graham Greene's Vietnam War novel, "The Quiet American."

Last month he played a small role as a rich U.S. congressman on the CBS television series "Ellis Island."

Mr. Burton was one of Britain's greatest Shakespearean stage actors. He appeared in more than 40 movies, ranging from classics such as "Who's Afraid of Virginia Woolf?" and "The Spy Who Came



Richard Burton

From the Cold" to a string of forgotten failures.

Mr. Burton was born Nov. 10, 1917, in Porthclyffe, South Wales, and educated at Oxford University. He was born Richard Jenkins and changed his name in his youth to that of a schoolmaster who helped bring him up.

Mr. Burton had two daughters, both by his first wife, Sybil Williams.

He married Miss Williams in 1949, and the marriage was dissolved after 14 years. He married Miss Taylor in 1964, parted from her in 1974, married her again the following year and was divorced from her in 1976. In 1976 he married Susan Hunt. They were divorced in 1982.

Sir John Gielgud, who last

## Oil Tanker Hit by Mine Is Sinking In Red Sea

**SUEZ, Egypt** — A Taiwanese oil tanker hit a mine in the southern Red Sea on Sunday and was reported sinking off the coast of North Yemen.

Shipping sources said the tanker Oceanic Energy, which is owned by the Energy Shipping Company of Taiwan, hit a mine south of Port Sudan and was sinking. Further details were not immediately available.

Lloyds of London said the 41,400-ton ship, which was sailing empty for Saudi Arabia, was the 10th vessel damaged by blasts in the Red Sea and the Gulf of Suez in two weeks.

A Lloyds spokesman said the Oceanic Energy, which is registered in Liberia, was sailing north through the Red Sea when it sent a radio message from south of Port Sudan saying, "Met mine, ship sinking, please..." The rest of the message was unintelligible, the spokesman said.

Three other merchant vessels — Turkish, Greek and East German — were slightly damaged Thursday when they were rocked by blasts in the Red Sea off Saudi Arabia and North Yemen.

The U.S. Defense Department has sent a 15-member navy team to Egypt to help determine the cause of the blasts. There have been no casualties from the explosions.

**Navy Teams on Alert**

Wayne Biddle of The New York Times reported from Washington: The U.S. Navy has started loading mine-sweeping helicopters aboard transport planes in Virginia as government officials weighed a decision to fly the craft to the Gulf of Suez.

State Department officials said the Reagan administration was awaiting a recommendation from U.S. Navy mine experts in the area.

A State Department official said that ships had been damaged either in the Gulf of Suez at the northern end of the Red Sea, or in the Bab el Mandeb to the south, where the Red Sea joins the Gulf of Aden.

The Bab el Mandeb and the Gulf of Suez lead to the Suez Canal.

The State Department official said the navy experts would submit a report on the situation "in several days."

Based on their advice and the desire of the Egyptian government, he said, the decision would be made on sending the equipment and personnel being readied at the Norfolk Naval Air Station.

Egyptian vessels have already begun mine-sweeping activities, according to the State Department.

A State Department official said the United States was starting "a major effort," including inquiries to countries in the region, to determine who planted the explosives.

**U.S. Launches Nuclear Sub**

**GROTON, Connecticut** — The U.S. Navy launched its most powerful nuclear-powered attack submarine Saturday, the Providence. The navy says the Providence is quieter, faster and militarily more capable than other ships in the Los Angeles class.



Shimon Peres of Israel's Labor Party accepting the mandate to form a new government.

## Mexico, Venezuela Sign Pact to Stop Oil Flow to 'Warlike' Latin Nations

**By Richard J. Meislin**  
*New York Times Service*

**MEXICO CITY** — Mexico and Venezuela have announced that they will suspend shipments of low-priced oil to Central American and Caribbean countries "that initiate warlike actions" against other countries in the region.

The two countries said Friday they were adopting the policy to provide an incentive for "the preservation of peace" in the region, as well as "to strengthen democratic and social development."

A spokesman for Mexico's Ministry of Foreign Relations said the condition would apply only to future actions. It would be up to Mexico and Venezuela, he said, to determine whether a country should be sanctioned.

The condition was a new feature in an annual renewal of the four-year San Jose pact. Under the agreement, Mexico and Venezuela provide generous credit terms to 10 Central American and Caribbean countries for the purchase of oil, essentially at subsidized prices.

The pact gave no indication of what countries it might sanction for "warlike actions." Nicaragua has accused Honduras of helping rebels seeking to topple its government, and El Salvador, Honduras and Costa Rica have accused Nicaragua of backing actions against them.

All four of these countries benefit from the San Jose accord, as do the Dominican Republic, Barbados, Belize, Guatemala, Jamaica and Panama.

Mexico and Venezuela asserted in the pact that the sanctions against aggressive actions were an effort to "take every effort necessary for the complete fulfillment of the Contadora group."

They did not specify how a decision to apply sanctions would be made, saying only that they would "suspend application of this program to participating countries that initiate warlike actions against other states of the area, in violation of the charter of the United Nations."

The new features in the pact came at a time when U.S. officials have been praising Mexico, to the

embarrassment of Mexican officials, for having moderated its support of leftist groups in Central America. The government here officially denies any substantive change in its foreign policy.

Another new provision in the pact requires "strict compliance with the conditions of payment." The new agreement would also give the most generous credit terms to countries who agree to use Mexican and Venezuelan goods and services in programs of economic and energy development.

The four countries of the Contadora group — Mexico, Venezuela, Colombia and Panama — have been trying for more than 18 months to negotiate an agreement among the Central American countries. A key element of the agreement commits them to refrain from directly or indirectly backing attacks on neighboring countries.

Mexican officials have portrayed their tighter attitude toward sup-

plying oil to the Nicaraguan government as pragmatic rather than political.

"The circumstances have changed," said an official, citing the drop in oil prices and the increase in debt problems in both Mexico and Venezuela.

Government officials said that some oil shipments to Nicaragua had been "detained" until the Sandinistas complied with a schedule of payments to Mexico.

"At the moment they are paying, and they are receiving oil," said an official. He said the same standards have been applied to Costa Rica.

The San Jose pact provides oil to participating countries with an initial payment of only 80 percent of market rates. The remaining 20 percent can be paid back over a period of five years at interest rates of 8 percent, or, if the money is to be used for development programs, over 20 years with an interest rate of 6 percent.

## Herzog Picks Peres to Form New Israeli Government

**JERUSALEM** — President Chaim Herzog named the leader of the Labor party, Shimon Peres, as prime minister-designate Sunday and asked him to form a government with the outgoing Likud bloc.

But the Likud incumbent, Yitzhak Shamir, continued his efforts in form a governing coalition.

Mr. Herzog sought to break the stalemate from Israel's July 23 elections by appealing for a government of national unity to deal with Israel's problems. These involved chiefly the economic crisis, reflected in a \$22-billion foreign debt and an annual inflation rate of 400 percent.

Mr. Herzog also said "our democracy is in danger" because of divisions between religious and secular Jews and among ethnic groups.

Mr. Peres appealed to Mr. Shamir to join a government led by Labor, and Mr. Shamir agreed to meet him Monday, a Shamir spokesman said.

"We are ready to continue the talks we have begun in order to establish a national unity government," Mr. Shamir said in a letter accepting Mr. Peres's invitation.

"In our opinion we have to include all of the parties that want such a government."

Many analysts voiced doubt on whether the two major blocs could find common ground for working in the same government.

Eight hours of exploratory talks were held last week on the possibility of a bipartisan cabinet.

Until a new government is formed, Mr. Shamir will remain the head of a transitional government. He continued to seek support from

small parties Sunday in an effort to form a government headed by his Likud bloc.

Referring to Mr. Herzog's choice of Mr. Peres, the Shamir spokesman said: "The president's decision does not substantially change the situation. We still believe that together with our existing partners we can either establish a unity government or a narrow coalition" without Labor.

Mr. Peres has 21 days to assemble a coalition with a majority in the 120-seat Knesset, Israel's parliament. After that, he can ask the president for an additional three weeks. If Mr. Peres fails, Mr. Herzog could turn to Mr. Shamir.

Mr. Shamir met two religious parties Sunday but failed to win the endorsement of the National Religious Party, which controls four seats in the Knesset. The other party, the Sephardic Torah Guardians, met with Mr. Shamir while Mr. Herzog was announcing his selection of Mr. Peres. The Guardians backed Likud.

A Labor official said the party felt Likud was trying to undermine Mr. Herzog's choice by pressing its negotiations with small parties. Labor, he said, regards this as "a very, very serious thing."

Labor, which has been out of power for seven years, won 44 seats to Likud's 41. Thirteen other parties shared the remaining 35 seats, and neither major bloc has been able to construct a majority on its own.

In accepting the task of forming a new government, Mr. Peres said a Labor government would try to

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## Polish Activist Freed, Cites Beating

**By Michael T. Kaufman**  
*New York Times Service*

**WARSAW** — Adam Michnik, one of the outlawed Solidarity union's most outspoken advisers, has been freed from prison, leaving 6 of the 11 best known opposition activists still in prison awaiting release under the amnesty program announced July 21.

Mr. Michnik, a historian, reportedly told correspondents Saturday that he wanted to rest and recover from a beating he said he received when he refused to surrender his prison notes just before being freed.

Reuters in Warsaw quoted Mr. Michnik as saying that he was carried out of his prison by security police. Reached by phone at his apartment in the Polish capital, Mr. Michnik said: "I didn't enter of my own accord." I was carried here. They were security people."

Mr. Michnik said he had been taken from prison by car and had been carried from the car to his

apartment, Reuters added. In letters from prison, he had said he would have been thrown out by force since he did not believe the government had any legal authority to hold or to amnesty him.

During his two and a half years in prison on charges of preparing to overthrow the system, Mr. Michnik, one of the leading members of the Workers Defense Committee or KOR, a Solidarity support group, smuggled out nearly a dozen long letters in which he challenged the legality, authority and ideology of the Polish government.

The letters, which were widely reprinted, were one of the major means by which the Solidarity opposition sustained its debate with the authorities after the movement was suppressed in 1981 with the imposition of martial law.

He turned down several offers of freedom in exchange for promises either to leave the country or to refrain from political activity. And he kept insisting on a hearing in

open court where, he said, he would prove his innocence. He and three other prominent KOR figures were, in fact, put on trial but their case was quickly recessed last month and then mooted by the amnesty.

Mr. Michnik is the first of the four leading KOR officials to be released. The others are Jack Kuron, KOR's founder, Zbigniew Romaszewski and Henryk Wujec.

In addition to the KOR group, the same Warsaw prison has also housed seven prominent Solidarity members who were seized two and a half years ago. Of those, four have so far been released, the most recent being Seweryn Jaworski, a former Solidarity leader in the Warsaw region who was freed Friday.

Meanwhile, Lech Walesa, a founding member of Solidarity, met in Gdansk on the Baltic with Cardinal Jozef Glemp, the primate of Poland. Mr. Walesa would probably be freed Friday.

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**A SPECIAL REPORT**

■ Nigerians adjust to economic and political reforms under the Buhari government. Page 7.

**TOMORROW**

Profound changes are shaking the ruling African community in South Africa. A four-part series by Glenn Frankel.

## In 10 Years, Nixon the Pariah Has Become Nixon the Statesman

**By John Herbers**  
*New York Times Service*

**WASHINGTON** — When Richard M. Nixon resigned as president Aug. 9, 1974, he left the White House physically ill, emotionally ailed, publicly reviled and facing a probability of both criminal prosecution in the Watergate scandal and personal bankruptcy.

A decade later, he has emerged at years of age as an elder statesman, commentator on foreign and domestic affairs, adviser to world leaders, a multimillionaire and a successful author and lecturer honored by audiences at home and abroad.

Yet, despite his remarkable recovery, much of it a result of his determination to survive as a respected public figure, friends and associates agree that his rehabilitation has not been complete and that substantial barriers remain to ever again holding high office, her elective or appointive.

For example, his recent decision to attend the Republican National Convention in Dallas later a month was welcomed by most party leaders.

Mr. Nixon's inability to shed completely the Watergate stigma for 10 years is one indication of lasting impact of the scandal on the man who once seemed so comfortable. He appeared to hide his feelings, to substitute for his real self a public personality that suited his political ambitions.

Throughout his career he seemed to thrive in awkward or inexplicable relationships — Nixon and Eisenhower, Nixon and Spiro T. Agnew, interviews with his friends, associates and others and a reading of the voluminous Nixon literature that has been published since 1974 provide a portrait of Mr. Nixon and the impact of his presidency a decade after his tearful departure from the White House.

Mr. Nixon, who had served two terms as vice president and was elected to a second term as president by a landslide margin in 1972, resigned with two and a half years remaining in his term rather than face impeachment, which was imminent.

He stood accused by the House

Judiciary Committee of crimes that included attempting to cover up the burglary of the Democratic National Committee's headquarters at the Watergate apartment complex in Washington on June 17, 1972, by men employed by Mr. Nixon's Committee in Re-Elect the President.

Tape recordings released to Congress and prosecutors by Supreme Court order, involving conversations between Mr. Nixon and his aides, showed that he had ordered money payments to those accused in the burglary to keep them from implicating the White House and

that he had tried to halt the federal investigation of the crime.

More broadly, Mr. Nixon was accused of illegal abuse of power by setting up groups that carried out burglaries, tapped telephones of government employees and private citizens, performed "dirty tricks" against opponents in political campaigns, tried to get the Internal Revenue Service to punish the president's political enemies through adverse tax rulings, put campaign money to illegal uses and other acts that added up to pervasive corruption in U.S. government.

Nineteen officials and campaign workers in the administration, including the president's two top aides, served jail terms for the various crimes involved.

Public reaction to the resignation was immediate and drastic. Republicans on federal, state and local levels were swept from office.

Mr. Nixon's successor in the White House, Gerald R. Ford, was defeated by Jimmy Carter in the 1976 presidential race by a margin smaller than the 7 percent of voters who told pollsters they did not vote for Mr. Ford because he pardoned

Mr. Nixon for the Watergate crimes.

Mr. Ford announced the pardon a month after Mr. Nixon's resignation. The Republicans did not recover at the polls until 1980 with the election of Ronald Reagan.

Congress enacted over several years a series of laws and regulations to prevent abuse of authority. A number of these have been watered down or declared ineffective. But the bulk of them have survived in some form.

Daily events continue to be shaped by the fallout from Watergate. A few days ago, for example, the House of Representatives voted to condemn Representative George Hansen, Republican of Idaho, for covering up his financial affairs even though many members who voted against him were privately opposed to the move.

Mr. Hansen had been convicted under the Ethics in Government Act, one of the laws passed because of Watergate. He was accused of failing to report fully all outside income.

Despite feelings by many members that the law is unfair, public sensitivity to corruption in government remains so strong, said Representative Bill Frenzel, a Minnesota Republican, that elected officials "are afraid of it."

"It would look like we were covering our tracks if we made a change," Mr. Frenzel said.

The role that Mr. Nixon has carved out for himself since his resignation, primarily that of a commentator and adviser on foreign affairs, has been accomplished, his

associates say, entirely separately from his efforts to overcome the Watergate stigma.

His long roller-coaster career of victory, crisis, defeat, revival, triumph, ruin and, finally, resurrection as an elder statesman continues to whet public curiosity about him. According to associates, he has recently been comparing himself to Herbert Hoover, the president.

## Still Waiting for the 'Real Nixon' to Go Public

**By Bob Woodward**  
*Washington Post Service*

**WASHINGTON** — Ten years after Richard M. Nixon's resignation from the presidency, 36 years after the Alger Hiss case made Mr. Nixon a national figure, the man remains a human mystery.

We know a great deal about him but we do not know him. He is one of the most unusual, and most compelling, public figures ever to walk the American political stage.

Mr. Nixon so often seemed uncomfortable. He appeared to hide his feelings, to substitute for his real self a public personality that suited his political ambitions.

Throughout his career he seemed to thrive in awkward or inexplicable relationships — Nixon and Eisenhower, Nixon and Spiro T. Agnew, Nixon and Henry A. Kissinger, Nixon and H.R. Haldeman and John D. Ehrlichman. His close friendship with Charles G. (Bebe) Rebozo, was perhaps stranger of all, even to Mr. Nixon's most devoted White House aides.

Will we ever get beyond our current understanding of Mr. Nixon; will the mystery ever be resolved? It just might be. There is one untapped source that might clear it up. The source has not revealed much yet but it could reveal a lot. For example, just before his sweeping re-election victory in 1972, Mr. Nixon made this tantalizing confession to the source:

"I had a curious dream of speaking at some sort of rally and being a bit too long and Rockefeller standing up in the middle and taking over the microphone on an applause line. Of course, this is always something that worries a person when he is making speeches, as to whether he is going too long. It is a subconscious reaction. It is interesting."

It certainly is interesting. Here was Mr. Nixon in the fourth year of what had been a remarkable presidency somehow haunted by Nelson A. Rockefeller, the wealthy liberal Republican, elite New Yorker who got things by birth, not just hard work.

To whom did Mr. Nixon disclose this intimacy? With fitting irony, it was to a tape recorder, more precisely his dictating machine. For 20 months, on and off, during his presidency, as he said in "RN," his

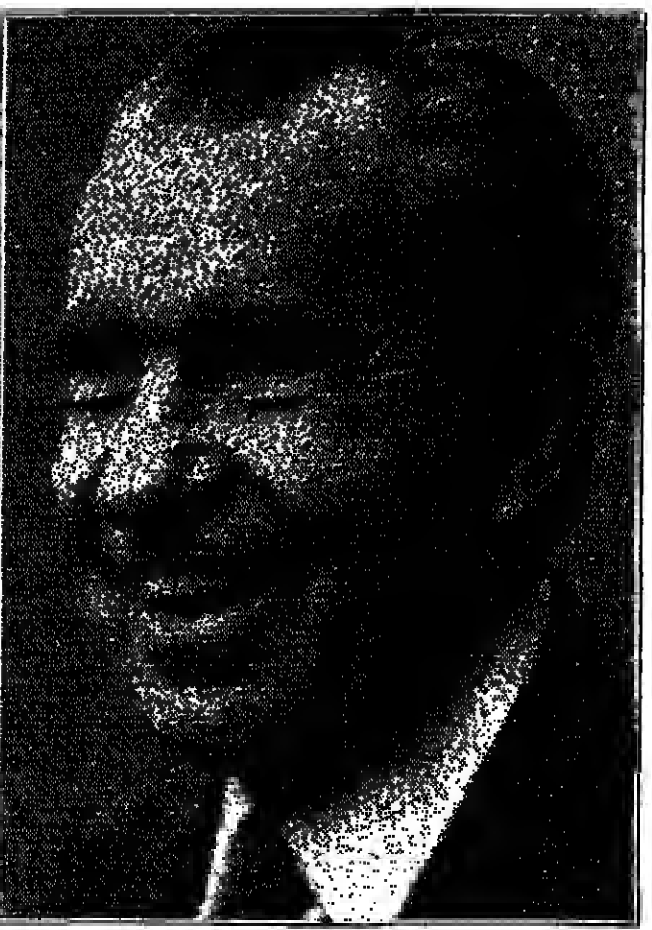
memoirs, "I kept an almost daily dictated diary."

He not only kept the diary, he quoted from it extensively in his memoirs, more than 140 times in a 1,090-page book.

The diary entries did not attract much attention from the reviewers when Mr. Nixon's memoirs were published in 1978. They generally focused on whether he was making too much money from the book or eating sufficient crow about Watergate. And the diary entries Mr. Nixon used are rarely as revealing as the one quoted above.

Many are routine and, typically for Mr. Nixon, aimed at creating a record that put him in the best possible light. But there is just enough in the book, like the Rockefeller

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Richard M. Nixon: Remarkable fall, remarkable recovery.

(Continued on Page 6, Col. 5)



## Reagan Pledges to Fight Any Attempt to Increase Personal Income Taxes

By Lou Cannon  
Washington Post Service

SANTA BARBARA, California — President Ronald Reagan pledged in a weekend address that, if re-elected, he would oppose any increase in individual income taxes and would veto any bill raising individual income tax rates.

Mr. Reagan, who in recent weeks has carefully qualified his remarks about tax increases, said nothing about other kinds of new taxes that might be passed by Congress to help reduce federal budget deficits.

Seeking to take the initiative on the subject of higher taxes, Mr. Reagan charged Saturday that his Democratic challenger, Walter F. Mondale, would have to raise taxes by \$135 billion "to square with his promises."

"That averages \$1,500 in increased taxes for every American household, and one way or another that means you," Mr. Reagan said.

The president, who was vacationing at his ranch near here, charged on his weekly paid radio address that Mr. Mondale would need a huge tax increase to carry out a promise to cut federal deficits by two-thirds by 1989.

Mr. Mondale, at his home in North Oaks, Minnesota, called Mr. Reagan's calculations "hocus-pocus numbers" and renewed his challenge to the president to hold a series of debates this fall.

"If we were to debate what he said today on national television, I'd cream him because he's dead wrong," Mr. Mondale said. "He prefers these long-distance charges rather than a face-to-face debate."

Mr. Mondale said he soon will release details of how he would cut the budget deficit and raise taxes. He also noted that Mr. Reagan had issued a qualified pledge against higher taxes. "Today he said he would not raise personal income taxes," Mr. Mondale said.

"But he was very careful not to rule out tax increases that would protect his rich friends."

When he accepted the Democratic presidential nomination on

July 19, Mr. Mondale said that whoever was elected president would have to raise taxes. He charged that Mr. Reagan was keeping his own tax plans secret.

Mr. Reagan later said he had "no plan" to raise taxes in 1985, but he stopped short of pledging not to increase them. And last week he said he would increase taxes only as "a last resort."

The vagueness of these promises has raised concern among some of Mr. Reagan's conservative advisers, who have urged him to rule out a tax increase unequivocally.

On Saturday he responded, saying, "I will propose no increase in personal income taxes, and I will veto any tax bill that would raise personal tax rates for working Americans or that would fail to make our tax system simpler and more fair."

The chief White House spokesman, Larry Speakes, said Mr. Reagan was "ruling out an income tax increase for the foreseeable future."

But Mr. Reagan did not rule out corporate tax increases or other forms of tax hikes.

Some of Mr. Reagan's advisers have acknowledged privately that some form of tax increase probably will be necessary in 1985, despite the president's opposition.

Senator Robert J. Dole of Kansas, the Finance Committee chairman and an influential Republican spokesman on tax matters, has indicated that a combination of spending cuts and tax increases may be needed to keep deficits manageable.

In his address Saturday, Mr. Reagan said Mr. Mondale had indicated plans to raise taxes "by at least \$60 billion."

The president disputed whether this would carry out Mr. Mondale's pledge to cut the deficit by two-thirds.

Mr. Mondale, in his response, challenged Mr. Reagan to have the Treasury Department release a study of taxation that the president had indicated would serve as a guideline on any tax reform.



Workers cleared rubble from Madras airport where a bomb killed 32 persons.

## Sri Lankan Proposes Joint Blast Inquiry

Reston

COLOMBO, Sri Lanka — Prime Minister Ranasinghe Premadasa has proposed that India and Sri Lanka investigate together the bomb explosion at Madras international airport that killed 32 persons and injured 13, state radio said Sunday.

Sri Lankan Defense Ministry officials said they believed the blast Thursday was part of a plan by Sri Lankan separatists to send explosives to Colombo and blow up two Air Lanka jets here.

The Sri Lankan government said Sunday that about 24 Sri Lankans were among the dead.

The radio quoted Mr. Premadasa as saying that the explosion proved his allegations that guerrillas fighting for a separate Tamil state were operating from the south Indian state of Tamil Nadu. India has repeatedly denied this charge.

Two major separatist Tamil organizations based in Madras denied responsibility for the blast and said that it was part of a plot to defame them.

The Liberation Tigers of Tamil Eelam said it was outraged and shocked at the blast.

"The sophisticated nature of

the whole operation clearly indicates that it is the diabolical work of the Sri Lankan government," it said in a statement.

Meanwhile, in Madras, police said Sunday that they were searching for a passenger who was booked on an Air Lanka flight from Madras to Colombo but failed to turn up for emigration checks.

The bomb went off when customs officials were removing two unclaimed suitcases after a series of telephoned warnings. The airport was not evacuated.

## Economic Potential, Stalemated War Give New Strength to Hussein of Iraq

By David B. Ottaway

Washington Post Service

BAGHDAD — President Saddam Hussein has emerged from a number of economic and political crises over the past year stronger than at any time since the war with Iran began nearly four years ago.

Despite increasing war debts to the Arab Gulf states and Western nations, Mr. Hussein has managed to gain refinancing and billions of dollars in new credit.

Despite the Iranian seizure of Iraqi lands in several border areas in 1983, he has blocked three Iranian offensives and succeeded in



Saddam Hussein

### NEWS ANALYSIS

building up Iraq's military power through the acquisition of Soviet and French weapons.

Western, Arab and Asian diplomats based here are remarking on a new mood among Iraqi leaders.

"There has been a noticeable increase in confidence and morale since I came here a year ago," an Asian diplomat said.

A Western diplomat, referring to Iraq and Iraqis, said: "They are settling into a new military equilibrium that is in Iraq's favor and there is no easy way for Iran to upset the new equilibrium."

Mr. Hussein has won the backing of both the Soviet Union and the United States, obtained far greater Arab support for his cause and, above all, changed the image of Iraq as the aggressor into one of Iraq as the aggrieved.

This last shift has resulted largely from Iraq's hostile attitude toward peace efforts.

At home, Mr. Hussein has kept the loyalty of the majority Shiite population, divided and weakened the Kurdish opposition and apparently rallied his people around the cause of defending the nation against Iranian forces.

"Saddam has profited from the war to make himself stronger now," said another Western analyst. "It has allowed him to suppress the opposition and treat his enemies as traitors to the country."

Even the Iranian-backed Shiite opposition group, al-Dawa, has failed to make much of an impact with its guerrilla tactics, although it remains a threat and has forced the government to take extensive security precautions in Baghdad.

Mr. Hussein seems to be so confident that some Western diplomats are beginning to wonder whether he might make another miscalculation, as he did in invading Iran at the start of the war, out of an exaggerated sense of Iraq's relative strength and Iran's internal weaknesses.

"Iraq is stable, full of hope and confident of its future," Mr. Hussein said in a speech July 16 marking the 16th anniversary of the

Ba'ath Party's rise to power. "The steadfastness of our armed forces is getting harder and there is a deep belief that they are carrying out a correct political decision — the defense of the homeland."

In retrospect, it appears that part of Mr. Hussein's success in gaining and maintaining public support was his decision to spend billions of dollars on economic development at the beginning of the war.

The boom came even as Iraq's oil exports were cut by three-quarters after Iran destroyed Iraqi oil terminals in the Gulf and refused to permit tankers to load at Iraqi ports.

Iraq's investment budget rose to \$26 billion in 1982 from \$17.7 billion in 1980, while its oil income dropped to \$10 billion from \$26 billion, creating huge deficits.

These were covered by \$35 billion in reserves, \$30 billion in loans from the Arab Gulf states, 350,000 barrels a day of oil borrowed from Saudi Arabia and Kuwait, and \$5 billion to \$10 billion in credits from Western governments and companies doing business here.

The investment allows Mr. Hussein to brag that he is "the builder of modern Iraq" and to provide Iraqis with new hotels, public buildings and monuments, highways, public housing, industries and agricultural projects.

In the past six months, Mr. Hussein has secured \$2 billion in credit from the Soviet Union for new economic projects and \$485 million from the U.S. Export-Import Bank to build an oil pipeline through Jordan to the Gulf of Aqaba.

He has also arranged deferred payments for refinancing of \$5 billion to \$10 billion Iraq owes to Western, Jordanian and Japanese companies for earlier projects.

Much of his success has been attributed to his ability to convince Western governments and companies that Iraq remains, despite the war, an excellent investment risk because of its oil reserves.

U.S. Embassy's Truck Hit by Bomb in Jordan

Reston

AMMAN, Jordan — A bomb went off under a U.S. Embassy truck outside the embassy's warehouse in a suburb of Amman on Friday.

Embassy sources said two people in a passing taxi were slightly hurt by flying glass. But an Interior Ministry statement carried by the official news agency, Petra, said there were no casualties in the blast, caused by one kilogram (2.2 pounds) of TNT. No one has claimed responsibility for the blast.

Iraq has at least 59 billion barrels and probably 100 billion barrels of oil, making it second after Saudi Arabia among members of the Organization of Petroleum Exporting Countries.

Plans to build Iraq's oil blockade by building three pipelines, one each across Jordan, Saudi Arabia and Turkey.

By early 1986, even if the war continues, Iraq's export capability will reach 1.5 million barrels a day. Thus, its current financial difficulties are clearly temporary.

Mr. Hussein's power today is based on the Ba'ath Party and the army, which he has kept in equilibrium despite the expansion of the army's forces to more than one million men, according to Western and Arab analysts.

He remains the head of both institutions as well as of a security apparatus of an estimated 40,000 men. That control has ensured his personal survival and kept him one step ahead of all plots against him. Even his own family members have not been under suspicion.

In October, three of his half brothers, including Barzan Tikriti, the powerful intelligence chief, were dismissed from their jobs for reasons that remain obscure. Their whereabouts today are not known.

Mr. Hussein has also kept control of the army by repeatedly changing commanders and using poor performance in the front lines as a reason to dismiss, rotate or even execute some officers.

The war has been used to build a cult of personality around Mr. Hussein.

Streets, squares and monuments have been named after him in Baghdad and other cities, as has the country's main international airport. Huge billboards of Mr. Hussein can be seen in the cities, along the main highways and in front of various army camps.

Mr. Hussein's main problem today remains how to extricate himself from the war he started in September 1980. For the first time in four years, there may now be a possibility of at least winding down the war, if not formally making peace, because of economic and political difficulties afflicting Iran.

If the war does wind down, Mr. Hussein may emerge as a kind of savior on the Arab side of the Gulf for containing Iran's Islamic revolution and protecting the vulnerable pro-Western sheikhdoms and kingdoms.

## Pole Is Freed, Cites Beating

(Continued from Page 1)

vide information on the nature of their talks.

Asked about President Ronald Reagan's decision to lift some of the minor U.S. sanctions applied against Poland in response to the suppression of the union movement, he said he was pleased but noted that he had previously called for the waiving of all sanctions.

The government, meanwhile, is continuing to study the U.S. announcement of the lifting of sanctions and, while the official press and Jerzy Urban, the government spokesman, have deplored the response as insufficient and humiliating, no one has rejected the offer.

Meanwhile, with many of the 652 political prisoners already freed under the amnesty and more due to gain release soon, the prospect of a meeting of the isolated activists to share views and formulate strategy has been suggested by a number of former Solidarity leaders. There have been suggestions that the reunion be held Aug. 15 or 30.

## Iran Plans Succession, Ex-Aide Says

Khomeini Illness Cited

By Former President

By Michael Dobbs

Washington Post Service

PARIS — Former President Abolhasan Bani-Sadr of Iran, who lives in exile in France, says that a plan for the transition to a post-Khomeini era in Iran was started last month when the Iranian leader appeared to be on the verge of death.

Mr. Bani-Sadr, who was forced to flee Iran in 1981, said in an interview Friday that the scenario involved moves toward negotiating a peace settlement in Iran's war with Iraq, a diplomatic overture toward the West and firm action against dissidents inside the country.

"The post-Khomeini era has already begun," he said, adding: "If Khomeini dies now, only the moderates have a chance of taking over and this is what frightens the hard-liners."

Mr. Bani-Sadr said he had reports from inside the country that Ayatollah Ruhollah Khomeini, 84, became seriously ill in the middle of July and was sent to an intensive care unit. It was then, he said, that the plan for the succession was developed by other leading figures in the regime.

On July 28, Hashemi Rafsanjani, the speaker of the Majlis, or parliament, said Iran was seeking to end the Iraqi war through diplomatic means.

Mr. Bani-Sadr said Iran has toned down its conditions for ending the war. A peace proposal made via Saudi Arabia dropped a demand for full reparation of war losses by the Baghdad regime and insisted only on the resignation of the Iraqi leader, Saddam Hussein, he said.

Mr. Bani-Sadr said a group of religious leaders advocating adoption of relatively moderate policies appeared to be winning a power struggle against a hard-core revolutionary faction.

He described last week's hijacking of an Air France plane to Tehran and a similar incident recently in which Spanish police thwarted a plot by Iranians to hijack or shoot down a Saudi Arabian airliner as attempts by the revolutionary faction to sabotage the new policy.

Because of the restrictions Iran has placed on independent reporting from the country, it is virtually impossible to check much of the information provided by Mr. Bani-Sadr.

The former president, one of several Iranian politicians living in exile in the West, has an interest in showing the world that his supporters still occupy sensitive positions inside the country and that his moderate line will emerge after the death of Ayatollah Khomeini.

But at least part of his analysis of developments inside Iran has been supported by independent experts. Signs of an Iranian desire to improve ties with the West were reported by Foreign Minister Hans Dietrich Genscher of West Germany after a two-day visit to Tehran last month.

Points made by Mr. Bani-Sadr during the interview at his well-guarded apartment in a Paris suburb included the following:

• Ayatollah Khomeini's illness precipitated an emergency meeting of the Council of Experts, a body of about 60 leaders charged with assuring a smooth succession. On July 18, doctors revised their initial bleak assessment of his condition.

• On July 20, Mr. Rafsanjani said at a prayer meeting in Tehran that if anything happened to Ayatollah Khomeini he would turn to Ayatollah Khomeini's son, Ali Khamenei, for guidance. Mr. Bani-Sadr said this indicated that Ayatollah Motahari had been accepted as a transitional spiritual leader when Ayatollah Khomeini dies.

• In mid-July, coinciding with Ayatollah Khomeini's illness, the authorities took a number of steps against domestic dissent. These included the execution of 150 prisoners, stepping up of the war against Kurdish guerrillas, staged television appearances by allegedly repentant criminals and a public campaign to enforce Islamic codes of dress and morality.

• A communiqué circulating in Tehran in early July reported a telegram to Ayatollah Khomeini from a military leader, General Nasser Rahimi, calling for a shake-up in the army and the replacement of some of its generals.

Mr. Bani-Sadr said his information indicated that Mr. Rafsanjani and President Ali Khamenei had agreed to set aside their differences.

"The scenario for the succession to Khomeini is now clear," he said. "Internally, the leaders will agree on a replacement for Khomeini as spiritual leader, arrange at least a temporary armistice between themselves, and step up repression in order to prevent the opposition from appearing. Everything that happened last month can be explained by panic that Khomeini was about to die."

Mr. Bani-Sadr was elected president of Iran in January 1980 but was removed by Ayatollah Khomeini in June 1981.

Mr. Bani-Sadr said opposition to the new line appeared to come largely from second-level figures in revolutionary organizations.

"The hard-liners do not see a future for themselves, which is why they are resorting to acts of sabotage," he said. "During my time it was the same. The leadership was agreed on a moderate course of action and the opposition came from the middle layers of the revolution. On that occasion, Khomeini sided with the radicals."

## WORLD BRIEFS

### 49 Die in Plane Crash in Bangladesh

DHAKA, Bangladesh (Combined Dispatches) — All 45 passengers and four crew members aboard an airliner were killed Sunday when their plane crashed in a marsh near Dhaka airport, officials of the Bangladesh national airline said.

The plane was coming from the port city of Chittagong. The craft, a Fokker F-27 of Biman, the national airline, crashed about 500 yards (450 meters) from the runway. The officials said it was raining heavily when the crash occurred.

### Soviet Cargo Plane Falls in Pakistan

KARACHI (Reuters) — Nine bodies have been recovered from the wreckage of a Soviet An-12 cargo plane that crashed Saturday in southern Pakistan on its way to Tashkent in Soviet Central Asia, police said Sunday.

The authorities said they had cordoned off the crash site at Nawabshah, 130 miles (210 kilometers) northeast of Karachi, and were searching the wreckage. The plane, which took off from South Yemen, landed in Karachi for emergency repairs and resumed its flight after refueling. It crashed less than an hour later.

The Soviet consulate in Karachi declined to give details about the plane, its crew or cargo, and the office of the Soviet airline Aeroflot said it had no exact information on the flight.

### IOC Retracts Charge on Olympic TV

LOS ANGELES (Reuters) — The president of the International Olympic Committee, Juan Antonio Samaranch, has retracted his complaint that the ABC television network has tended to favor American athletes in its coverage of the Olympic Games.

The IOC issued a statement late Friday, after Mr. Samaranch and Monique Berlioux, the IOC director, met with Roone Arledge, president of ABC News and Sports. During the meeting, the statement said, "The IOC expressed its satisfaction with ABC's television production of the Games and felt that international broadcasters have received appropriate coverage."

The statement distinguished between the network's international feed, which it described as "neutral coverage" and its programming for U.S. viewers. The statement was issued after Mr. Samaranch, apparently on the basis of what ABC was broadcasting in the United States, complained that the broadcasts of the Games favored U.S. athletes over foreigners.

### Shell Denies Pretoria Gave It Bonuses

LONDON (Reuters) — Shell International Petroleum Co. denied a report in a British newspaper Sunday that it had received secret bonus payments for supplying oil to South Africa.

The company issued the denial in response to a report in The Observer that suggested Shell had received about \$200 million from South Africa to supply it oil in defiance of international boycotts. Shell denied that it had received any "secret incentives" for supplying oil to South Africa, a spokeswoman said. "Moreover, it reiterates that it has always observed producing countries' destination restrictions regarding crude oil."

The Observer based its report on an official South African report that the government offered a premium of \$8 a barrel of crude from its strategic fuel fund after the fall of the Shah of Iran, its main supplier, in 1979.

### Iran Claims Attacks on Invading Iraqis

NICOSIA (AP) — The Iranian air force attacked Iraqi forces inside Iranian territory Sunday, after destroying military targets in Iraq, an Iranian military communiqué claimed Sunday.

The communiqué, reported by IRNA, the official Iranian news agency, said the air force had already destroyed a large number of enemy tanks in the Khuzistan and Gilan-e-Gharb regions of Iran.

### Iraq, Turkey Discuss New Pipeline

ANKARA (AP) — Taha Yasin Ramadan, Iraq's first deputy prime minister, started three days of talks here Sunday on plans for a new Turkish-Iraqi pipeline and other projects of economic cooperation.

Sources said the Iraq-Iraq war and the safety of Turkish tankers sailing to the Gulf war zone to load Iranian crude oil from Kharg Island are also likely to come up in discussions.

Turkey and Iraq have a 1,000 kilometer (620-mile) pipeline with an annual capacity of 35 million tons. Expansion of the line, currently Iraq's only outlet for oil exports, to 49 million tons is nearly complete, officials said. A second pipeline, which is to run parallel to the first one and to share the same terminal on the Mediterranean, is planned.

### Lutherans Urge U.S.-Soviet Talks

BUDAPEST (AP) — The Lutheran World Federation has urged the Soviet Union and the United States to resume talks on limiting medium-range nuclear missiles and called for an end to "aggression" against Nicaragua and El Salvador.

The statements were made in two political resolutions adopted Friday by the 315 main delegates from 99 member churches around the world. In the last working session of the two-week assembly, delegates urged "governments and political leaders everywhere to halt the research, test and production of nuclear and conventional weapons."

Another resolution requested churches "to cooperate in the efforts to rebuild Nicaragua and El Salvador" and urged them "to cooperate in every possible way to establish human rights in Central America."

### Marcos May Lift State of Emergency

MANILA (UPI) — President Ferdinand E. Marcos has indicated that he may lift a state of emergency that remained in force in the southern Philippines after he canceled martial law three years ago.

He told a lawyers' convention Friday that a decision to end the state of emergency in eight provinces in the Mindanao-Sulu region, 500 miles (800 kilometers) south of Manila, would depend on an assessment of security in the region.

Under the state of emergency, the army may hold suspected subversives indefinitely. Mr. Marcos's government maintained the state of emergency when it ended eight years of martial law in 1981 because of a Muslim separatist guerrilla movement in the south.

### Suspects in Israeli Bombings Freed

JERUSALEM (UPI) — Two Israeli Army officers being held for trial in the 1980 car bombings that killed two Palestinian West Bank mayors were released Friday.

Their release was ordered by the Supreme Court, which rejected an appeal by the state attorney to keep them in prison pending the trial. Major Shlomo Leviathan and Captain Aharon Gilo, both of whom served in the Israeli administration of the occupied West Bank, posted \$30,000 bail.

The men are charged with conspiracy in the 1980 car bombings that killed Mayor Bassem Shuka of Nablus and Mayor Karim Khalaf of Ramallah. The trial was postponed until the end of the year. The Israelis were detained in April when police discovered a plot to bomb five Arab-owned buses in East Jerusalem.

### For the Record

President John Baptista Figueiredo, 66, was hospitalized Saturday for at least three days for treatment of severe back pains, the official EBN news agency reported.

President Ronald Reagan appointed Robert A. Rowland, a tax lawyer who was co-chairman of his presidential campaign in Texas in 1980, to head the Occupational Safety and Health Administration. (LAT)

Greece and the United States have signed a memorandum on wages and working conditions for 1,800 Greek workers at the four U.S. military bases in Greece. (AP)

The three men who hijacked an Air France jetliner from Frankfurt to Tehran last week have asked for political asylum in Iran, Iranian officials said Saturday. The three surrendered to the Iranian authorities after releasing 60 hostages and blowing up the plane's cockpit. (UPI)

Italy's Senate has approved a church-state concordat that will end Catholicism's status as the state religion. The concordat, signed by the government and the Vatican in February, will go to the Chamber of Deputies for final ratification in September. (Reuters)

Peres Asked to Form Cabinet

(Continued from Page 1)

staged a protest Saturday in Um al-Fahm, an Arab town northeast of Tel Aviv, against Meir Kahane, a U.S.-born rabbi who advocated the expulsion of all Arabs from Israel in his successful campaign for the Knesset. The Associated Press reported from Um al-Fahm.

Mr. Kahane has said he would start his anti-Arab program in Um al-Fahm after being sworn in as a member of the Knesset on Aug. 13. Um al-Fahm has a population of 26,000.

Protest Against Kahane

About 5,000 Jews and Arabs

## Mondale Calls Handling Of Lance 'Misjudgment'

By Milton Coleman

Washington Post Service

WASHINGTON — Walter F. Mondale has accepted full responsibility for the selection of Bert Lance as general chairman of his presidential campaign, a decision that drew criticism for nearly three weeks until Mr. Lance resigned the post.

"I take this responsibility on my own," Mr. Mondale said at a news conference Saturday at his home in North Oaks, Minnesota.

In his first public statement since Mr. Lance stepped down on Thursday, Mr. Mondale said that the way he dealt with Mr. Lance was "obviously a misjudgment."

"I deeply regret any harm I may have visited on Bert Lance, whom I like," he said.

The appointment revived questions about Mr. Lance's financial dealings, including unproven charges that led to his resignation in 1977 as director of the Office of Management and Budget under President Jimmy Carter.

Mr. Mondale, echoing Mr. Lance's assertion that the dispute had made Mr. Lance a "source of diversion" rather than a "resource for development" of the campaign, said that questions about Mr. Lance had become so common that he could no longer focus on the campaign.

"He's practical. I'm practical," Mr. Mondale said. "I think he made a wise judgment. I accepted it."

But he said Mr. Lance would continue to advise him, as he has throughout the past year and a half of Mr. Mondale's candidacy. "He's a friend of mine; I want his advice, and I don't mind that at all," Mr. Mondale said.

■ Questions of Management

Jack Nelson of the Los Angeles Times reported from Washington: The Lance affair may not prove serious or long-lasting for Mr. Mondale, but it has raised questions among Democratic Party veterans and even members of Mr. Mondale's



# Under Mondale, Democrats' Foreign Policy Line Shifts to One of Restraint, Experts Say

By Hedrick Smith  
New York Times Service

WASHINGTON — The foreign policy line at emerged from the Democratic National convention in San Francisco is a distinct shift from the policies of such presidents as Harry S. Truman, John F. Kennedy and Lyndon B. Johnson, according to foreign affairs specialists.

In interviews, former officials from Democratic and Republican administrations singled out Walter F. Mondale's ardent advocacy of a negotiated, verifiable freeze on the production, testing and deployment of nuclear arms as the most significant departure from past election platforms.

Other specialists cite a Democratic platform plank pushed through by Senator Gary Hart of Colorado and some of Mr. Mondale's comments about Central America as signals of a less assertive U.S. role in the world than in the Truman, Kennedy and Johnson administrations.

Under these Democratic presidents, the United States took on the defense of Korea, Laos, Turkey and Vietnam, and President John F. Kennedy declared protection for the Gulf.

The Hart amendment, eventually accepted by Mondale, called for a "freeze" on the production of nuclear weapons, and the Democratic platform's general reluctance to involve U.S. forces in Third World trouble spots such as Cambodia.

In a similar vein, Mr. Mondale pledged "to stop the illegal war in Nicaragua" in his first 100 days in office and to work "for the removal of all U.S. forces" from Central America.

The Democratic presidential nominee has sought to cast himself as more dedicated to arms control than President Ronald Reagan and less likely than Mr. Reagan to involve the United States in a foreign war, Mondale aides say.

But against the sweep of postwar history, the new officials say, the Mondale approach il-

lustrates how much the attitudes of mainstream Democrats have changed, particularly since the Vietnam War, and even how the two political parties have switched roles since the Truman presidency.

"There's been a big change in the approach of both parties," said Charles William Maynes, a Carter administration official who is now editor of Foreign Policy magazine. "If you go back to the platforms of the 1950s, there's been a radical change."

## NEWS ANALYSIS

After World War II the Democrats were promoting a larger U.S. role in the world. Republican conservatives led by Senator Robert A. Taft of Ohio opposed President Truman's moves to station U.S. troops in Western Europe, and Dwight D. Eisenhower campaigned in 1952 with a pledge to end the war in Korea. Now, Democrats accuse the Republican White House of overzealous interventionism abroad and promise peace negotiations.

The Democratic stance this year, the specialists suggest, is particularly striking in contrast to John F. Kennedy's. In the 1960 campaign, he charged the Republican administration with allowing U.S. defenses to suffer "a missile gap" with the Soviet Union and pressed for a military buildup. And in 1961 he approved an invasion of Cuba by exiles forces armed by the Central Intelligence Agency.

"There's no clear thread that links the Kennedy campaign of 1960 with the Mondale campaign of 1984," said William Hyland, editor of Foreign Affairs magazine, who was a policy adviser in the Nixon and Ford administrations. "With Kennedy talking about 'our bearing any burden and paying any price' for defense, that was a different era."

"As a nation we crossed the watershed in the 1970s," Mr. Hyland added.

"For the Democrats, it came with the nomination of George McGovern's nomination in 1972. "For the country as a whole, it came in 1975 when we came out of Saigon in humiliation," he said. "We also discovered that détente wasn't going to save us with the Russians. Since then both parties have had difficulty dealing with the post-Vietnam world and the world of nuclear plenty."

Zbigniew Brzezinski, who was national security adviser to President Carter, suggested the positions taken at the Democratic convention in July were to the left of those taken by Mr. Carter in his final two years in office.

In that period, Mr. Carter imposed a grain embargo against the Soviet Union and sought financing for the MX missile, two positions Mr. Mondale has said he privately opposed.

"We never had a major party before advocating a hoax as foreign policy," Mr. Brzezinski asserted. "I think the nuclear freeze is a hoax. It's not achievable. It's not verifiable."

"Yet we're committed to it because of an activist wing of the party," he added. "It degrades the quality of our foreign policy discourse and diminishes our standing internationally."

Some Mondale advisers contend that the party platform and Mr. Mondale personally were driven toward more liberal positions by the early withdrawal of conservatives such as Senator John Glenn of Ohio and former Governor Reubin Askew of Florida from the presidential race. The remaining competitors at the end of the campaign, the Reverend Jesse L. Jackson and Mr. Hart, were both advocates of restraints on U.S. use of force.

"In the primaries and at the convention, the

fighters came from the left," said a Mondale campaign official. "We had to defend ourselves."

More broadly, some of what became known as the "Scoop Jackson" wing of the Democratic Party, foreign policy conservatives who clustered around Senator Henry M. Jackson of Washington, defeated the Reagan administration before this year's race began.

Among them were Jesse J. Kirkpatrick, the chief U.S. delegate to the United Nations, and Richard N. Perle, an assistant secretary of defense who was a longtime aide to Senator Jackson. Senator Jackson died last year.

Mondale lieutenants reject any notion that Mr. Mondale is a neo-isolationist. At the convention, they note, Mr. Mondale resisted Jesse Jackson's call for unilateral U.S. renunciation of the first use of nuclear weapons, and Mondale forces defeated Mr. Jackson's drive to record the party in favor of an absolute cut in military spending.

"There is no new isolationism in Walter Mondale," said Barry Carter, a senior Mondale adviser on foreign policy. "He's for strengthening conventional forces."

Mr. Mondale, with his advocacy of steady, moderate increases in military spending, has taken a different position from Mr. McGovern in 1972 and Mr. Carter in the 1976 campaign, both of whom urged cuts in military spending. Moreover, in the primaries Mr. Mondale resisted pressures to endorse a unilateral moratorium on U.S. missile deployments in Western Europe, a contrast to Mr. McGovern's advocacy of reductions in U.S. forces in Europe.

Among Democratic activists at the convention, the McGovern legacy of resistance to military spending and U.S. involvement abroad was apparent in the Hart plank, in signs calling to "end the war in Central America" and in the

opposition of Mr. Mondale and his running mate, Representative Geraldine A. Ferraro of New York, to developing the MX missile, the B-1 bomber, nerve gas and anti-satellite weapons.

This year, Mr. Brzezinski suggested, the clash between Republicans and Democrats over foreign policy issues is pulling "the center of gravity in both parties toward extremes, in the Democratic Party toward naive escapism and in the Republican Party toward militant interventionism."

Other former officials say the most important new influence on foreign policy is the grassroots political strength of the nuclear freeze movement.

"You see the impact of the freeze movement on both parties, with Mondale's advocacy of the freeze and the administration working to make sure it does not look anti-arms control," said Mr. Maynes of Foreign Policy.

Conservative Democrats such as Mr. Brzezinski and Horace Busby, a former Johnson administration official, now author of a political newsletter, suggested the tone at the Democratic convention was leading the party toward a politically risky foreign policy line.

In Mr. Busby's words, "It does not appeal to the concern of the bulk of the country about strength against the Russians."

Nevertheless, Mondale strategists believe their approach will exploit a major vulnerability of Mr. Reagan and appeal to the public mood. They reckon that Democrats can score strong gains this year on the broad issue of war and peace, and especially on nuclear arms control.

Private opinion surveys supplied to the Mondale camp have indicated that voters' greatest worry about a second Reagan term is the fear that somehow the Republican White House will unleash the country in armed conflict.

In recent weeks Mr. Reagan has eased his

public conditions for a summit meeting with the Soviet leader, Konstantin U. Chernenko, and agreed in principle to enter into talks this fall with the Russians on limiting anti-satellite weapons.

But Peter D. Hart, the Mondale poll taker, said he had detected no significant change in public uneasiness about Mr. Reagan's foreign policies.

"Reagan's foreign policy stuff frightens people," said Robert S. Strauss, a former Democratic Party chairman. "I think Reagan's vulnerability politically in the world being less safe than three years ago."

Repeatedly, Mr. Mondale has preached that message. In May, for example, he warned that the Reagan policy in Central America would lead to involvement of U.S. combat troops in the region.

As an alternative, Mr. Mondale pledged to end U.S. military exercises in Honduras and to withdraw "our combat forces from Honduras" but to continue aid and training for both the Honduran and Salvadoran armies.

The contrast Mr. Mondale has deliberately struck is not with the Democratic past but with the Republican present. Arms control offers his central line of challenge to the president.

In effect, he is resuming the policy debate of the 1980 campaign, when Mr. Reagan attacked President Carter for being too soft on the issue. Mr. Mondale has ridiculed Mr. Reagan's decision to pursue research in modern weapons systems for a space-based defensive shield. Mr. Mondale assailed the idea as "a hoax" and warned that it would cost hundreds of billions of dollars and open a new front in the arms race without offering real protection.

Soberly, Mr. Mondale has said, "There are many, many other issues, but that's the only one that counts."

## U.S. Senator, Surprising Leadership, Sees Compromise on Military Budget

By Jonathan Fierbringer  
New York Times Service

WASHINGTON — The Senate's assistant majority leader says the final military budget for 1985 would grow 5 percent after last year's 7.5 percent. President Ronald Reagan and the House Republican leadership insisted on the support of the president's military budget, which is also the aim of the Appropriations Committee on Defense, caught between the White House and the majority der, Howard H. Baker Jr., by price.

Mr. Baker said he did not expect President Reagan to be the final figure, he said, going to talk to Senator Stevens, he added. The White House, a statement, said it was continuing to push for a 7.5 percent rise. The military budget for the next year, which starts Oct. 1, has an 8 percent increase in a deal between the Senate, which is controlled by the Democrats, and the House, which is controlled by the Republicans.

The House leadership wrote a 3.5 percent rise after 1983 and has offered to compromise at 5 percent.

Mr. Stevens' subcommittee approved a bill Friday that would trim overall Pentagon spending by \$299 billion next year, full 7.5 percent sought by the Senate and the House leadership. Spending authority allows the tagon to commit money for

programs, but because many projects extend over several years actual spending would be less.

Mr. Stevens said he got his committee to approve the appropriation bill in an effort to get around deadlocks between various committees of the House and the Senate.

Mr. Stevens said that although he supported the president's military budget, "whether we like it or not we will get 5 percent, and we'll be lucky to get that."

"Sometimes we have to make up our mind," he said, directing his comment to the president. "I'm telling him what's achievable."

Mr. Stevens said, "There has been sort of an understanding between both houses that it will be 5 percent real growth."

Mr. Baker, of Tennessee, was visibly surprised when asked about the comments. "I respect Ted's opinions in most things, but I have no reason to expect that will be the end result," he said.

The setting of the military budget is the last major decision to be made on this year's deficit reduction package. A 5 percent growth figure would mean that the final package would cut deficits, now projected to total about \$800 billion through 1987, by about \$160 billion over the three years.

The White House staff, in California with the president, dodged questions about whether Mr. Reagan would accept a 5 percent rise. Martin Fitzwater, deputy White

House press secretary, said the president would press for 7.5 percent.

This insistence and disputes over the MX missile and other weapon systems have led to a stalemate on the military budget. House-Senate conference committees are deadlocked on the budget resolution, which sets nonbinding targets for spending authority, and the military authorization bill, which approves broad programs but not the money to pay for them. The money is approved in an appropriation bill.

Mr. Stevens' strategy is to try to get the bill approved Friday by the subcommittee and through the full Appropriations Committee, possibly next week, just before the recess for the Republican National Convention and Labor Day. Then, Mr. Stevens said, the Senate would have "a defense baseline" reflecting the president's desire for a 7.5 percent rise in the military budget.

Mr. Stevens said the Senate would then be able to get the president's military budget, or most of it, to a conference with the House.

In conference, Mr. Stevens predicted, the military spending increase the president wants would be cut.

A 5 percent increase in spending authority for the military in 1985 would reduce the \$299 billion figure the president wants to about \$293 billion, according to committee staff. The House budget resolution figure is \$285.7 billion.



A woman checks globs of oil on a beach at Galveston.

## Oil Spilled From Grounded Tanker Fouls Texas Coast, Spares Marshes

United Press International

GALVESTON, Texas — Globules of crude oil from a grounded tanker coated a coastal area spanning this city's most popular tourist beaches but missed two environmentally sensitive marshlands.

Crews used road-working equipment Saturday to remove the oil, which was spilled when the British ship *Alvares* was grounded July 30 about 100 miles (160 kilometers) east of the shore of Cameron, Louisiana. The spill has been estimated at 1.25 million gallons (4.7 million liters). Texas officials confirmed that 55 miles (90 kilometers) of coastline had been affected.

"The environmental impact of this thing was very minimal," said Dale Pluckett, a spokesman for the U.S. Coast Guard. "No sheen, let alone any oil, got into the marshlands. That's what would have been hard to clean up."

## Turner, Seeking Votes, Goes to Canada's West

By Douglas Martin  
New York Times Service

VANCOUVER, British Columbia — Prime Minister John A. Turner carried his election campaign to western Canada last week in an effort to end the bitterness that existed between the people of the region and his predecessor, Pierre Elliott Trudeau.

Mr. Trudeau's policies on energy and rail transportation were seen by the people of western Canada as benefiting Quebec and Ontario at their expense.

Mr. Turner hopes that the governing Liberal Party, which now holds only two seats in Parliament from districts west of Ontario, can revive its fortunes in western Canada. He has underscored his commitment by taking the politically risky step of seeking his own election to Parliament from a district in Vancouver now held by the Conservatives.

"I understand your sense of alienation, your sense of being irrelevant to the decisions made in the small triangle between Toronto, Ottawa and Montreal," Mr. Turner told supporters here.

Mr. Turner's goal of making the Liberals a national party is shared by the opposition Progressive Conservative Party. They are trying to increase their strength in Quebec, where they hold only one of 75 seats. Brian Mulroney, the party leader, is taking the same gamble as the prime minister by choosing to run in a Quebec district long held by the Liberals.

Mr. Turner was sworn in as prime minister on June 31. Shortly afterward, he called for a general election on Sept. 4, saying he needed a new mandate to deal with Canada's problems.

Mr. Turner's message is that his experience in politics and business can reverse the economic decline of the past three years. Canada's unemployment rate is more than 50 percent greater than that of the United States, and a fifth of the nation's youths do not have jobs.

Some commentators have said Mr. Turner's nine-year absence from politics may have dulled his political skills. Opinion polls show he was badly defeated in a recent series of debates with Mr. Mulroney.

## Justice Stevens Says His Colleagues Have 'Leaped' to Exceed Authority

By Fred Barbash  
Washington Post Service

CHICAGO — Justice John Paul Stevens has delivered an unusual speech accusing the Supreme Court's majority of overreaching authority in controversial civil rights and defendants' rights cases. Justices rarely carry their disputes into a public forum and discuss specific cases as Mr. Stevens did Saturday in dedicating a building at the Northwestern University School of Law.

His comments concerned the scope of law under which judges are supposed to keep their rulings narrow as possible and not deal with issues unnecessary to the resolution of a case.

Justice Stevens said he issued his "far-reaching" pronouncements and had "grasped" "leaped" to decide issues that should have been avoided, he said to several cases.

Mr. Stevens said the court had leaped too far in the case of *Memphis v. Evers*, in which the court decided that racial quotas in employment might be illegal.

He said the case, in which the court ruled that a court may not order an employer to protect the rights of a black employee at the expense of white employees who have more seniority, had been decided on much narrower grounds.

At the court elected to make a reaching pronouncement concerning the limits on a court's power.



John Paul Stevens

er to prescribe affirmative action as a remedy," he said.

In a second case, *Colorado v. Newsum*, the court considered a criminal law decision from the Supreme Court of Colorado and then dismissed it for being purely a state-law matter over which the federal courts have no jurisdiction.

Justice Byron R. White, joined by Chief Justice Warren E. Burger and Justice Sandra Day O'Connor, agreed in a separate concurrence that the court had no power to review the case, but they nevertheless criticized the Colorado court's ruling.

"Three members of the court who are often described as conservatives — and who expressly agreed with the court's jurisdictional holding — could not resist the

opportunity to volunteer their opinion about the rule of law that should have been applied to the merits of the case," Mr. Stevens said.

■ Court's Record Defended

Philip Hager of the Los Angeles Times reported earlier from Chicago.

The solicitor general of the United States, Rex E. Lee, has defended the recent record of the Supreme Court, saying that, contrary to claims by critics, the justices' rulings widening law enforcement powers have strengthened individual rights and made Americans "more free."

Mr. Lee, whose office argues the government's side in cases before the court, made his remarks Friday. He took strong issue with the contention that the court, in its term that ended last month, had taken a philosophical turn to the right that unfairly favored government authority over individual liberty.

"People who live in the United States have more rights and enjoy more freedoms because of the work of the United States Supreme Court during the term," he said.

Mr. Lee said it was a distortion to say that rulings favoring the police automatically come at the expense of the individual.

"Very simply, crime inhibits freedom," he said. "For the overwhelming majority of people in America, the thief, the rapist and the kidnapper pose a significantly greater threat not only to our happiness but... to our liberties than do the policeman and the jailer."

## Official Resigns; Cause of Funds Cited

Washington Post Service

WASHINGTON — Fred J. Vilella, the No. 3 official at the Federal Emergency Management Agency, resigned because of allegations that he misappropriated \$200,000 to renovate a government building.

Mr. Vilella's resignation from agency, which is charged with aiding national disasters, was announced two days after a House subcommittee heard evidence he had used extensive renovations to a rented building in Emmitsburg, Maryland.

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## AMERICAN TOPICS

### White Couple Gets To Adopt Black Child

A white couple in Maryland opposing a state policy that discourages interracial adoptions was told Friday that they will be allowed to adopt a mildly retarded 3-year-old black child. The Department of Social Services in Baltimore County, Maryland, agreed that the couple would make better parents than would other applicants.

James and Jackie Haas, a childless couple who are both special education teachers, were told in March that the county would consider their adoption request only if nationwide efforts to find a suitable black family were futile. State policy requires that social service departments make all possible efforts to place children with families of the same race.

The couple went to court to have the state policy found unconstitutional, but that case is now moot following the county decision to let them have the child.

### Topless Rules Eased For Olympic Visitors

Police in Santa Monica, California, being diplomatic for the Olympic games, have decided for the time being not to arrest European women who are going topless on beaches — a practice frequent in Europe but banned on most U.S. beaches.

"We usually don't do anything about it until someone complains," said a senior lifeguard, Bill Asturias. He said he just tells the women to cover up.

However, Mr. Asturias said some American women are taking advantage of the relaxed rules and are taking off their own tops, then pretending not to understand English. "But when we say we'll call the police if they don't put it back on, that usually gets through," he said.

### American Jewish Committee in Washington, complained to the White House about the idea.

Theodore H. White, the writer, has resigned from the National Press Club to protest the July 30 appearance at the club of Louis Farrakhan, the Nation of Islam leader. He also returned an award the club gave him four years ago. Mr. White said he resigned chiefly because Mr. Farrakhan threatened against a Washington Post reporter who quoted the Reverend Jesse L. Jackson referring to Jews as "Hymies."

### Short Takes

On Aug. 7 Americans in dozens of cities will turn back the clock to an era when citizens went for nighttime strolls or whiled away summer evenings on their porches or front stoops. They'll be participants in a "National Night Out," an unusual and crime effort that is intended both to deter street crime and show that the public is fed up with it. About 95 U.S. communities, including Philadelphia and Minneapolis, are backing the night out by encouraging residents to stay outdoors from 9 to 10 P.M.

The business traveler who stays overnight in a first-class hotel and eats three meals a day in first-class restaurants will pay an average of \$178 in Manhattan, says a management consulting firm quoted in Parade Magazine. Runzheimer and Co., which tracks 100 American and 25 Canadian cities frequented by business travelers, says that Washington follows New York City as the most expensive business destination, at \$149 a day. Travelers going first-class in Atlantic City, New Jersey and Los Angeles will average \$134 a day, and in Chicago \$130 daily.

More than 16 million people work full- or part-time for the federal, state and local governments combined, says the U.S. Census Bureau.

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# Herald Tribune

Published With The New York Times and The Washington Post

## A Food Policy for Africa

There is, in most of black Africa, a permanent food crisis — a "food challenge," the development experts euphemistically call it — and it has been getting worse. In "normal" times, without major drought or recession, millions of people are disabled by malnutrition and poor diet, and millions die. Most of the countries in which they live were pitifully poor upon assuming independence 25 years ago. Through the 1960s and 1970s their food production expanded at an average annual rate of 1.5 percent and their populations at 2.9 percent. Commercial food-grain imports reached 20 million tons in 1980, food aid 1.5 million tons. Droughts and world recession cut into local production and imports alike.

America has always been a major provider of food assistance to Africa. The Reagan administration went against that tradition earlier this year when it allowed \$60 million in African famine relief to remain hostage for several months to congressional approval of aid to Central America. However, leading private agencies have saluted the African food aid

initiative that the Reagan administration presented last month. The program calls for financing transportation associated with food aid, funding to accelerate relief procedures, prepositioning grain in selected Third World areas, and creation of a task force to make better forecasts of food shortages.

But food aid is not the Africans' prime need: more efficient food production is. The UN World Food Council reports that many African countries are addressing the "inefficient marketing channels, artificial price-fixing measures (which usually favor the urban consumer at the expense of the rural producer) and other macroeconomic policies that adversely affect incentives for the production of food." But few of these countries are doing nearly enough about it. To spur them on, the Reagan administration has proposed a five-year, \$500-million incentive for food policy reform — its "economic policy initiative for Africa." Congress is being a bit sticky on the details, but the idea is just what Africa needs.

—THE WASHINGTON POST.

## The True Olympic Spirit

Meeting with American Olympians on the eve of the Los Angeles games, President Reagan identified himself squarely with the "true Olympic spirit" which, he suggested, was about to be expressed and exemplified in the performance of those athletes. It was a bit of humor, but it was perhaps forgivable. An element of nationalism lies close to the core of the Olympic games, and no less — perhaps more — among spectators than among participants. It is something that no politician running for reelection could be expected to ignore.

Other feelings have also been on view in Los Angeles. We have in mind a special moment on Thursday. The American men's gymnastic team had won a thrilling upset victory two nights before, edging out the Chinese and Japanese, and the individual men's gymnastic competition was now in full swing. Bart Conner did gymnastics on the pommel horse of a surprising strength and elegance, and got a 9.95. He stood near the apparatus as Li Ning

of China did a routine no less stupefying, also for a 9.95. Li Ning's mask broke into a grin, and he went up to Bart Conner, who seems always to be grinning. Right in the middle of this incredible contest, they joyfully slapped high fives: two superb athletes, exhilarated by the demands of their sport, reaching for the moment beyond personal ambition, demonstrating perfectly the best Olympic spirit.

The American athletes represent the American people. Mr. Reagan had also said, "in some kind of narrow nationalist sense but in a wider sense. They reflect the things we taught them about human conduct and human effort — all the good things they learned on the playing fields and at the gym, on the city streets and in the playgrounds of America." That time around, Mr. Reagan did it exactly right. Good things have been learned by many athletes from many different countries. They have been teaching the rest of us.

—THE WASHINGTON POST.

## Leave Religion Out of It

When John F. Kennedy became president a generation ago, it was thought that the issue of a candidate's religion was buried forever in America. After nearly 200 years of Protestant presidents, the country was finally led by a Roman Catholic. And if a Catholic, why not a Jew, a Buddhist or a Moslem? Why not, for that matter, an agnostic or atheist? What matter in presidents are human values, moral values, not religious affiliation or baptism. That the devil can quote Scripture for his own purposes is, after all, something most of us have learned before reaching voting age. Yet now, due to a president who has been relentlessly blurring the line between church and state, religious credentials are again being factored into the electoral process.

Consider a speech that Mr. Reagan made recently at a Roman Catholic church in Hoboken, New Jersey. He said he did not believe that someone can be compassionate and yet support a woman's right to choose abortion. "How can they parade down the street, wearing compassion as if it were a cloak made of

neon?" he asked. "They have no compassion for the most helpless of God's creatures." Some of those allegedly pious people were probably in the president's audience. Catholics are as likely to have abortions as members of other religious groups, and just as likely to endorse the choice. That they may thus differ with their church's teaching is a matter for them, their clergy, their conscience. It is not the business of the president.

Nor is Mr. Reagan's faith the business of his opponents. "The president walks around calling himself a good Christian," Geraldine Ferraro said recently, "but I don't for one believe it, because the policies are so terribly unfair." Ms. Ferraro was right in her policy judgment, wrong to characterize that judgment as pious. But it is Mr. Reagan who started this "holier than thou" competition, invoking religion on abortion, foreign policy, school prayer and other issues. He has intruded on sacred and private realms, dividing Americans in ways repugnant since the birth of the republic.

—THE NEW YORK TIMES.

## Other Opinion

### A Soviet Boot for Honecker?

[The planned visit to West Germany next month by Erich Honecker, the East German leader,] clearly had to be cleared with Moscow in the first place, and could still be canceled on orders from the same quarter. So what is going on? It is unlikely that what we are witnessing is a pure charade, any more than it is a dangerous rift between [East Berlin] and the Kremlin. But there have been many signs lately that, in the face of Russia's continuing inability to raise the living standards of Eastern Europe from her own resources, East Germany is moving toward those other Comecon countries (notably Hungary, Romania and Poland) which are seeking economic salvation from the West. In other words, Herr Honecker may be trying to wriggle his toes just a little too much, with the Kremlin feeling that the time has come to bring a cautionary boot down on them.

—The Sunday Telegraph (London).

For Koreans, another nation plagued by postwar territorial division, the progress being

made by the Germans for national reconciliation draws keen attention — and envy. [Could] North Korean leaders soon become versatile enough to learn a lesson from another Communist state, East Germany, in tackling the imperative task of easing the national pains and paving the way for unification?

—The Korea Times (Seoul).

### A Futile Mission to Moscow

The recent visit to the Soviet Union by the United Nations secretary-general, Javier Pérez de Cuellar, was deeply disappointing. There was no joint communiqué, and his frustration was candidly reflected by his avoidance of the press. All he was prepared to say was that his visit was useful in that he had been able to hear the views of his hosts on a wide range of issues. Whatever transpired on the question of Afghanistan remains secret. The obvious conclusion is that the secretary-general got nowhere in his discussions on a political settlement.

—South China Morning Post (Hong Kong).

## FROM OUR AUG. 6 PAGES, 75 AND 50 YEARS AGO

**1909: A Grand Send-Off for the Czar**  
COWES, England — The Emperor and Empress of Russia brought beautiful weather to Cowes from the moment they arrived here, and this afternoon [Aug. 5], in lovely sunshine, they left, amid salutes from the Dreadnoughts and friendly waves of handkerchiefs from the Victoria and Albert, where all the Royal family had assembled on the bridge. From the signal mast of the Royal yacht, the Standart moved up, the following signal was hoisted: "Good journey, au revoir." The Imperial procession was a pretty sight. While three Dreadnoughts remained at anchor, three more which had been anchored a mile or so up the Solent steamed out and took the lead. Next came two sage-green Russian torpedo boats, then the Standart, flying the Imperial standard at the main, looking very smart, trim and graceful.

**1934: Admiral Byrd Awaits Rescue**  
LITTLE AMERICA, Antarctica — A second attempt to reach Rear Admiral Richard E. Byrd, who is alone in a snow hut 123 miles from Little America, the base camp of his Antarctic expedition, has started. Anxiety as to the fate of Admiral Byrd, marooned alone in his hut, has been set at rest by the resumption of wireless communication between the explorer and his base. The first rescue party set out for Byrd's lonely outpost two weeks ago after he radioed that he had hurt his arm and requested that two meteorologists be sent to break the vigil that he had planned to keep for five months during a survey which, it was hoped, would throw some light on the past and future climate of the region. A severe blizzard drove back the party, however, after it had covered twenty-eight miles.

## Hiroshima + 39: High Time to Ban Tests

By Tom Wicker

NEW YORK — Thirty-nine years ago, on Aug. 6, 1945, the Enola Gay opened its bomb bay doors over Hiroshima, and America became the first and only nation to use nuclear weapons against another.

This somber anniversary, a public campaign is being launched to achieve an end to all nuclear explosions by the time of Hiroshima's 40th anniversary in 1985.

The campaign is not as farfetched as it may seem. Once before, starting in the Eisenhower administration, a moratorium on all nuclear testing was observed by the United States and the Soviet Union. Twice, in the Kennedy and Carter administrations, a comprehensive test ban treaty (CTBT) was almost achieved.

The Kennedy effort ended in the limited test ban treaty, banning nuclear explosions in the atmosphere. The Carter negotiations were virtually complete, with the Russians agreeing to on-site inspections for verification, when the invasion of Afghanistan and resistance to the treaty by the U.S. military and the nuclear laboratories scuttled it.

Then Ronald Reagan took office and began a nuclear buildup that caused him to renounce any intention of negotiating a test ban. He thus gave the back of his hand to legal treaty commitments undertaken by his predecessors — for in the limited test ban treaty of 1963 and later in the nonproliferation treaty of 1970, both ratified by the U.S. Senate, America had solemnly pledged its best efforts to bring about an end to nuclear testing.

Renewed nuclear proliferation is one good reason to bring public pressures on Mr. Reagan, if he is re-elected, to seek a comprehensive test ban. At their last review conference in 1980, signatory nations of the nonproliferation treaty warned that if the nuclear powers did not make progress toward ending nuclear tests by the time of their next conference in 1985, some might resume the test.

Nonproliferation is only one reason. Dr. Glenn T. Seaborg of the University of California, who headed the Atomic Energy Commission under Presidents Kennedy and

Johnson, says in a statement supporting the new drive for a comprehensive test ban that it would "halt that aspect of the arms race that is most threatening — the qualitative improvements in nuclear weapons."

A relatively simple step to take and enforce, the ban would produce "new momentum" in more complex arms control negotiations. And it might lead to improved Soviet-U.S. relations across the board.

Dr. Seaborg prepared his remarks for a Washington news conference to be held on Aug. 6 at which the CTBT campaign will be announced by the Center for Defense Information, which hopes for worldwide

support. W. Averell Harriman, the U.S. negotiator for the limited test ban treaty, and numerous scientists and scientific organizations are expected to register their backing.

Walter Mondale, the Democratic presidential nominee, announced in the spring that if he is elected he will observe a moratorium on nuclear testing as long as Moscow does, as a step toward renewing negotiations for a comprehensive test ban.

Meanwhile, though, the predictable opposition will center, first, on the supposed difficulties of verification.

In fact, aside from the Soviet Union's stated willingness to accept on-site inspection, the scientific evidence is overwhelming that nuclear tests above one kiloton in magnitude (smaller explosions have little value for weapons development) can be detected by seismic means.

Opponents will also argue, as before, that testing is necessary to keep weapons in the nuclear stockpile in working order. In fact, "meticulous inspection and disassembly" have been the main reliance procedures for such checkups, a former director of the Los Alamos laboratory has testified.

These spurious arguments have prevailed in the past. But the real reason for testing is to develop and improve nuclear weapons; and the best reason for a comprehensive test ban is to put a stop to that in America, the Soviet Union and anywhere else it might be contemplated.

The New York Times.

## Afterward 'There Was No Hate Left'

By Robert Karl Manoff

NEW YORK — In Hiroshima I recently met René Schaefer, a Dutch soldier who spent three and a half years as a prisoner of war building tankers in the Mitsubishi shipyards. He suffered during those years, he told me, and seemed to hate his guards, as well as all Japanese. Every night he spent as a prisoner of war he said a silent prayer, invoking God's help for an attack on the city to exact revenge and to end the war. In August 1945, he said, his prayers were finally answered.

Early on that morning, a guard called out an air-raid warning, and he dove into a ditch. "The explosion looked like lightning had struck the earth near me," he remembers. "Thunder came out of the earth. There was total darkness and I could feel the heat on my back. It was so black that I thought I had gone blind. Then I saw what I thought was a huge orange balloon. It grew so large and so bright that I thought it was going to crush me. Then I realized it was a cloud. In its light I saw that everything had been flattened."

"All around me I could see people with skin peeling off their bodies. Bloody soldiers were wandering everywhere. I thought I was living after the end of the world. I stumbled back to our camp, where one of the Dutch officers gave orders to search for other POWs and to carry the wounded up a nearby hill and out of the way of the fire. I went back and forth three times that night, taking not only POWs but injured guards as well. These were men I had hated that very morning and had wished to be dead. Now I was saving their lives."

"From the moment the bomb went off, there was no hate left. It was a strange experience — how hate can be turned to pity by a single bomb. There was no difference for me between the Japanese victims and my friends. I felt myself a victim among other victims, not a Dutchman among Japanese. The bomb killed hate."

Terrible as they were, the bombing of Hiroshima and Nagasaki created a new kind of community, a bizarre and terrible nuclear brotherhood in which suffering united those whom hatred had divided. In the years since World War II, the entire world has been drawn into this new community as nuclear weapons and new delivery systems have made clear that all humanity is now a member of the same fraternity of risk.

In a terrible caprice of fate, the vulnerability that all the world has come to share has, for the first time in history, created a true world community, with a common condition (the threat of the bomb), a common interest (avoiding the holocaust) and common resources (the moral and political vision to do so).

It is one of history's richer ironies that a world community should emerge only under the sign of imminent destruction. But we now understand that we are all equally at risk — that we share a common destiny which only we, together, can fashion.

The writer is on leave as managing editor of Harper's magazine to write a book on press coverage of nuclear arms issues. He contributed this to The New York Times.

## And Now ASATs, With No Stopping if Tests Start

By Herbert Scoville Jr.

NEW YORK — President Reagan has now professed a willingness to curb the competition between the United States and the Soviet Union to procure anti-satellite (ASAT) weapons. However, instead of accepting a mutual moratorium on such programs, Mr. Reagan is insisting on conducting America's first real ASAT test this fall. He would then have to rely on a deferral of future tests if negotiations were to succeed before the ASAT race was stepped up another notch.

The space weapons race is approaching a crossroad, and the way we turn in the next few months may well determine whether we doom ourselves to annihilation.

On June 29 the Soviets offered to start talks in September in Vienna to ban such weapons; but they have been equivocal about accepting the U.S. position on the agenda and timing. One point they have made is that the talks cannot be productive unless the United States refrains from testing its ASAT system. The Soviets have stopped all tests of their crude system.

This is not just a debate between Presidents Reagan and Chernenko to stake out an initial position at Vienna. It has been the subject of a debate between the Reagan administration and Congress.

This spring the House of Representatives tied a rider to the defense authorization bill, forbidding the use of funds for ASAT testing as long as the Soviets do not resume tests. A similar measure in the Senate was narrowly defeated.

The issue is before the Senate-House Conference Committee. The committee is working on a compromise between the administration's position (no delay in U.S. testing) and the House position (a U.S.-Soviet moratorium while an agreement is worked out). One compromise reportedly would have allowed the air force to conduct tests against a space object this fall, but would have postponed subsequent tests.

But this sort of compromise ignores the fact that one cannot become just a little bit pregnant. Once

this key space test is made, the chances are nil that the ASAT race can be aborted. Any talks would collapse, as the European missile negotiations ended after the first Pershing-2 missiles were deployed.

The Reagan administration must know this. If President Reagan insists on continuing with the ASAT test program, it is a clear demonstration that he is not really interested in halting this arms race. It would be an indication that his proposed change of heart from his March 31 report to Congress rejecting such negotiations is only a political ploy to undercut Democratic criticism during the campaign.

But ending the space arms race is too important a goal to become a victim of politics. Once both sides test and deploy ASAT systems for destroying low-altitude space vehicles, U.S. military satellites will be at risk. These are more critical to U.S. security than comparable satellites are to the Soviet Union.

More important, Pandora's Box

will be open on a myriad of space-oriented ballistic missile defense programs. ASAT can be used as a cover to evade the prohibitions on space and mobile ABM systems in the 1972 ABM treaty. This treaty, which President Reagan's Soviet counterpart called one of the most successful arms control agreements, is already being threatened by Mr. Reagan's "Star Wars" program. Legitimizing low-altitude ASATs will ring its death knell.

America's future security and economic interests lie in a mutual halt to all ASAT tests now. The Soviets have a clumsy and unreliable ASAT system. Now is the time for national restraint and serious negotiations. This is a sounder road to security than relying on a mirage of future restrictions to save us after a first real ASAT test has made us a little bit pregnant.

The writer was assistant director of the U.S. Arms Control and Disarmament Agency from 1963 to 1969. He contributed this comment to the Los Angeles Times.

## A Decade of Post-Watergate Ethics in Government

By Jacob K. Javits

NEW YORK — It takes time to assess the lasting importance of what appears at a given moment to be a historic event, but there is little doubt that President Richard Nixon's resignation 10 years ago this week was historically important.

The last few years in high and low places in American government since the beginning of the republic, some of them notorious — like the Teapot Dome scandal of the 1920s, when the secretary of the interior was convicted of taking bribes for leasing naval oil reserves to private operators. But only Watergate has led to a president's resignation.

The enormity of the 1974 scandal prompted a general reexamination of unique magnitude. Laws have been passed and court decisions made that define new rules and expectations for ethics in government. Today, officials are accountable to the stringent standards of a post-Watergate morality.

This new strictness is a mixed blessing. FBI agents posing as Arab sheikhs have approached congressmen who had not solicited bribes and offered them cash in return for favors. The FBI in those cases was not discovering malfeasance in public office but creating it. Before Watergate, such a tactic would probably have been condemned by the courts as entrapment. In today's throw-the-rascals-out atmosphere, the courts sustained the convictions.

In direct response to Watergate, the Ethics in Government Act was passed and signed into law in 1978, when I was a senior member of the Senate Committee on Government Operations. It requires federal officials to disclose in great detail the financial holdings and activities of themselves and their family members. It has, on the whole, been strongly enforced.

There were criminal prosecutions for corruption in the federal government before the Ethics in Government Act, but prosecutions for the avoidance of conflict of interest and for strict financial disclosure requirements are post-Watergate reforms. The public should take advantage of the required disclosures; they are appropriate to consider in judging

whether an official's life-style is consistent with his responsibilities. The Ethics in Government Act also provides that, when there are allegations of criminal conduct by high officials, the president is to appoint an independent counsel to investigate and prosecute. This provision rests on the concept that the Justice Department, headed by a presidentially appointed attorney general, cannot be entrusted with the investigation of possible crimes by high administration officials.

This suggestion of the president and his aides to outside scrutiny which upholds the precept that no one is above the law — was a major blow to the "imperial presidency" of the pre-Watergate era.

The press has assumed a newly aggressive role as an ethical watchdog since Watergate. America has always had a crusading press ready to seize upon corruption, but the probe-in-depth known as "investigative reporting" is an innovation. Like any reform, this new form of journalism creates problems as well as solving

them. Critics decry the press's capacity for destroying public officials without a trial or hearing, merely by publishing an investigative report.

State legislatures have acted to promote investigative journalism by passing "shield laws" that permit reporters to refuse to divulge their sources even when called upon to do so at a trial or grand jury investigation. The assumption underlying such laws is that the free flow of information to the press from sources secure in their anonymity is more important to society than the full disclosure of all relevant facts in any particular legal proceeding.

The courts have lent their aid to the press-as-watchdog by constraining the laws of libel so as to encourage publication of disclosures about public officials. Even if a report turns out to be false, a public official cannot recover damages unless the report was published with knowledge that it was false, or with reckless disregard for whether it was false or not.

Post-Watergate sensitivity to ethics in government is still very much alive, and may well be a subject of debate between the candidates in this presidential election. Walter Mondale has already accused President Reagan's administration of a great degree of impropriety. Mr. Mondale was criticized for appointing Bert Lance as his campaign manager.

The rules of the House and Senate

today prevent members from exercising professions or having their names used by professional firms. This restraint is aimed particularly at lawyers, whose clients may benefit from government action or inaction. Even after they have left office, federal officials are generally barred for two years from business dealings with the agencies in which they served.

It has been argued that many good men and women who could make a valuable contribution will refrain from working in government because of fear of being subjected to attack under these new laws on ethics. But I believe that experience will show that the public has good sense and is responsible to excellence in government, and that it will rise to the defense of any unjustly accused officials.

Watergate's legacy is a new standard of morality in government. Politics will be cleaner as a result.

The writer, a lawyer and a Republican, represented New York in the U.S. Senate from 1957 to 1981. This was distributed by the Los Angeles Times-Washington Post News Service.

## In Poland, Amnesty Can Be Bad

By Ewa Brantley

BOSTON — The Reagan administration may have made a serious mistake in deciding so hastily to respond to Poland's new amnesty law with an easing of economic sanctions.

The amnesty, as passed on July 21, applies to 35,000 common criminals and 652 political prisoners, including seven Solidarity leaders and four founders of the dissident intellectual organization KOR. Yet the authorities' past record in the granting of amnesty — in particular, their conduct last year after a similar amnesty law — is no cause for optimism.

It is natural to assume that political prisoners who have been amnestied are convicted people who can now leave prison, go home to their families and resume something very like a normal existence. In all likelihood, none of this is correct. The new amnesty law is identical to the one passed a year ago, and it may well be applied in a similarly harsh way.

What exactly happened last year? At the end of 1983 the government announced that the amnesty had been applied to 4,334 political offenders. (Neither then nor now has the government claimed that the amnesty covered all political prisoners.) The government did not announce the names of any of the amnestied offenders, and the figures cannot easily be verified. Nevertheless, enough is known to show that the amnesty scarcely deserved its name.

According to the government's own figures, more than half (2,745) of the amnestied political offenders had never been convicted. These were people against whom proceedings were being considered or had been started. What is wrong with this? Isn't amnesty just as good as being tried and acquitted? In all cases, such a person is in effect given a suspended sentence without a trial. In all these cases it is the prosecutor, not the judge, who determines the length of the sentence. And if the amnestied person is later held guilty of a similar offense, the original sentence has to be served along with the sentence for the new conviction. Unlike an acquittal, then, the amnestied charge and the sentence that goes with it continue to hang over the person's head as a threat and a reminder of the government's power.

Another article in both country laws provides that anyone who confesses to a political offense of the kind covered by the amnesty will be pardoned. This provision has resulted in particularly ugly abuses.

One aim of the provision was to persuade leaders of Solidarity who had gone underground to come out into the open. When very few did, the security police began harassing their families. For example, they took the wife of Zbigniew Janas, leader of the Warsaw underground Solidarity, to the Ministry of the Interior, beat her severely and pulled out her hair.

It was hoped that large numbers of activists who were not in hiding would take advantage of this provision, confess and thus avert future punishment. When this failed to happen, the authorities intervened energetically. Whole shifts of workers, in some cases hundreds of men, were taken into police custody and given the choice between confessing — or being tried. After a day or two in a crowded cell, many chose to confess.

Perhaps the worst thing about last year's amnesty is what happened to those who "benefited" from the law when they tried to resume their normal lives. All were marked with an ineradicable stigma. Party cells instructed managers of enterprises to dismiss them or demote them to the lowest level of employment. Some of those who were dismissed found menial jobs at rock-bottom pay. Those who did not were eventually classified as "social parasites" and drafted into the official press gangs that labor on public works under harsh conditions and for nominal pay, often separated from their families.

American sanctions were imposed in response to the proclamation of martial law, and martial law still remains very much in force. According to the Polish government's own figures, the number of people arrested for political offenses in the past year is greater than the number who were pardoned under the first amnesty.

When America moves to restore full relations with Poland, its decision should be based on a detailed and impartial analysis of actual practice, not a facile acceptance of the official facade so skillfully constructed by the Jaruzelski government.

The writer, visiting professor of international law and human rights at Northeastern University Law School in Boston, has worked as an international legal adviser to Solidarity. She contributed this to The New York Times.

## LETTERS TO THE EDITOR

### In Praise of Glasgow

I am astonished that your five-page special report on Scotland (July 19) did not mention that Glasgow is 808 years old; is the largest city in Scotland (population 740,000); is the country's major center of opera, orchestral music, ballet and sport (the world's third-biggest marathon will be run here on Sept. 30); has the world-famous Burrell art collection, and many others; has more than a million tourists a year; is acknowledged architecturally as the finest Victorian city in Britain; is world-famous for its medical research; has two universities and 12 technical colleges; is near two international airports, and has a motorway system that can get you to the most beautiful scenery in Scotland in minutes and to the rest of Britain in hours.

In the past decade, investors have spent hundreds of millions of pounds

to build banks, office blocks, hotels, supermarkets and private houses in Glasgow. No continent, including North America, has failed to benefit from the skill, imagination and enterprise of men born or trained here.

HARRY DIAMOND,  
Glasgow.

### Kahane, Continued

Rabbi Meir Kahane is normal, down-to-earth, wise. If he seeks a "peaceful Arab population displacement," it is to avoid bloodshed and loss of more lives, Arab and Jewish. He believes this is "unavoidable surgery." Otherwise, with the higher Arab birthrate, the little Jewish democracy would probably vanish.

We saw alarm, too, when Menachem Begin won the 1977 elections. He later made peace with Egypt.

MATT ALON,  
Jerusalem.

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## A Year After Triumphs, Pinochet's Opposition Is Split by Bickering

By Jackson Diehl  
Washington Post Service

SANTIAGO — The movement against the 11-year rule of President Augusto Pinochet is in disarray. "The opposition is in crisis. The political liberalization is over. Pinochet is happy," said Genaro Arriagada, a leading Christian Democrat. "It's very depressing here."

The relaxation of pressure on General Pinochet has come a year after his moment of greatest crisis. In May 1983, mass anti-government protests began. Three months later, General Pinochet ordered 8,000 troops into the streets to control demonstrations. The resulting clashes caused 27 deaths in two days.

The opposition parties, which had just concluded an alliance, demanded the president's resignation. A recession, marked by unemployment of 33 percent, showed no sign of ending. Military unrest over government repression surfaced for the first time.

Now, the fortunes of General Pinochet and his opponents in some ways appear to have reversed. There have been no major protests since the last national day of protest failed in May.

The government has abandoned some plans for political liberalization and returned to repressive measures against adversaries. The economy is slowly improving and official unemployment is down to 4 percent.

Dissent in the military has been overshadowed by discontent within the traditional political parties. A split within the Socialist Party was followed by feuds among Social Democrats, Radicals, Christian Democrats and Communists. Attempts to reorganize the multiparty democratic alliance collapsed.

The groups "have fallen apart by themselves," General Pinochet said recently, "because they cannot live together."

Only the violence has appeared to remain constant. Local news media have reported more than 250 terrorist incidents in Santiago this year. Human rights groups have reported more than 100 deaths from repression in 15 months.

Political leaders insist that General Pinochet's plan to rule for at least five more years remains in force. Despite the opposition's troubles, the president's own support has not appeared to increase, and official parties are organizing a campaign of demonstrations beginning this month.

Yet many opposition politicians are beginning to conclude that it is their own division, more than General Pinochet's leadership, that is locking the way to democracy.

"These are legislators who know how to make proposals and hold debates," said Marcelo Contreras, Socialist magazine editor. "What they don't know how to do is get rid of dictators."

Many politicians trace the opposition's decline to the weeks following the last major anti-government protest in late March.

Those national demonstrations inspired the support of small business and transportation sectors for the first time, and encouraged op-

position leaders hoping to move the country toward a national strike.

General Pinochet quickly responded to the campaign. He dismissed the last in a long series of rigid free-market economists who had conducted Chilean policy for nearly a decade, and appointed new economic advisors who moved toward more traditional policies of state stimulation of the economy and protection of local business.

The changes defused the discontent and revived hopes of economic recovery, several observers said. At the same time, General Pinochet made it difficult for the opposition to coalesce, by banning assemblies of labor leaders seeking to organize strikes and by methodically repressing the leadership of the country's militant left.

As these tactics slowed the opposition, its disputes intensified. A national protest called by labor unions in May fell flat, with only mild party support. The feuding then spun out of control.

The Democratic Alliance, for example, sought to end internal problems by establishing a new organizational structure that reflected the relative strength of its six major parties.

After negotiations, the new structure broke down because of the opposition of the small Social Democratic Party, which did not want to give up the chance to have its president act as spokesman of the alliance for a month.

But the conflict has been most clearly expressed in a struggle for the allegiance of the Christian Democratic Party, the center anchor of the opposition and counterweight to the well-organized, pro-Moscow Communists.

Almost since the protest movement began, the left has sought to draw the Christian Democrats into a unified opposition front.

Meanwhile, rightist sectors formally independent of both the opposition and government have proposed that the party break from the left and negotiate a transition to democracy with the military.

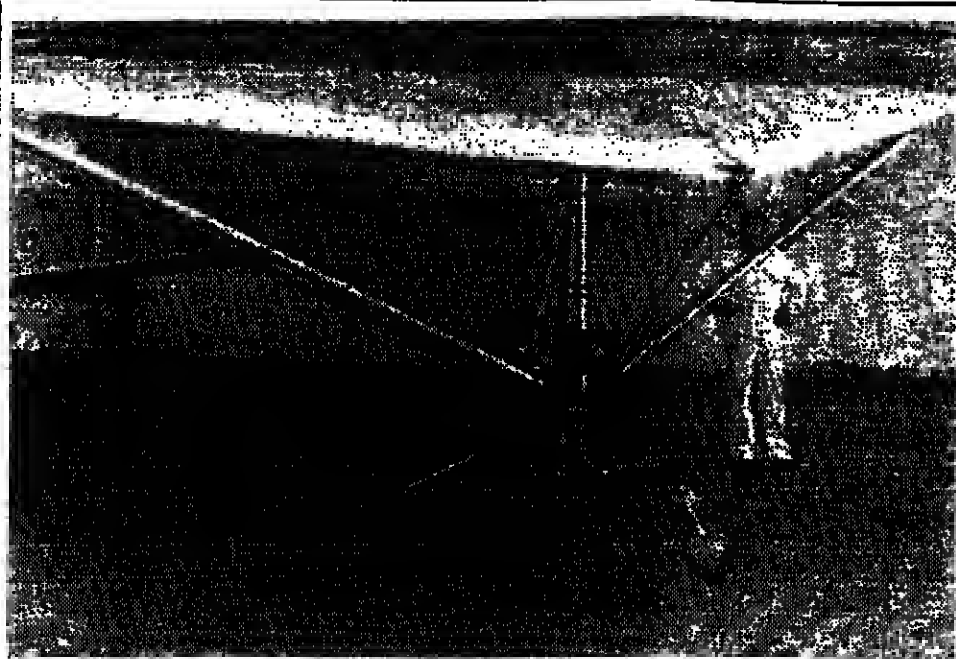
The left would like to defeat the right decisively and shape the political future with a center-left coalition. The traditional, non-Pinochet right, in turn, seeks a center-right bloc that would exclude the left, in particular the Communists.

Many Christian Democratic leaders say the only solution to the country's problems lies in a consensus under which the right and left accept each other's existence.

Yet after 11 years of military rule and growing rightist dissatisfaction with General Pinochet, the two sides appear to be irreconcilable.

Perhaps as a result, a leadership struggle has developed within the Christian Democratic Party, which includes at least three competing camps. The opposition may not progress, some observers say, until after the party's internal elections and a party congress in November.

General Pinochet, meanwhile, continues in power. "If this keeps up," said Mr. Contreras, the Socialist editor, "people will begin to choose more radical options. And if Pinochet makes it to 1989, the political center will be destroyed."



The ultralight craft used by the Czechoslovak student to flee to Austria.

## Czechoslovak Soars Across Austrian Border

The Associated Press

VIENNA — A Czechoslovak engineering student seeking political asylum flew over the Austrian border in an ultralight aircraft, a police official said.

The student, 24, whom authorities identified only as Ivo Z., landed in front of a hangar at Vienna's Schwechat airport. He was taken to Traiskirchen, Austria's main camp for political refugees, about 25 miles (40 kilometers) south of Vienna.

Lieutenant Colonel Gerhard Reumann of the airport border control said the student "comes from a prominent scientific family in Prague. I can't be more specific. But he clearly showed technical skill."

He said the student took the parts of the craft by car to a wooded area where he assembled it. He took off from Lozorno, near the Austrian border, during the middle of the night.

The police official said, "The young man told us that he planned his escape for about a year," building "a technically very interesting contraption."

While conventional hang-gliding pilots dangle beneath the wing, using their legs as starting and landing gear, the student's aircraft was equipped with a seat and a backward propeller for takeoff, Colonel Reumann said.

He said the propeller was powered by a motor taken from a car, to which a motorcycle gas tank was attached.

It was also equipped with navigational gear, a frame with three wheels and a foot brake, and a reserve propeller, Colonel Reumann said.

## Europeans to Press Superpowers On Space Talks After U.S. Elections

By William Drozdiak  
Washington Post Service

BONN — West European governments appear resigned to the growing likelihood that U.S.-Soviet talks on space weapons will not occur before the U.S. elections in November. But they remain determined to press the superpowers toward the negotiating table as soon as possible to prevent the militarization of space.

The Western allies generally agree that President Ronald Reagan improved his stature in Europe by quickly accepting the Soviet offer, made June 29, to open space weapons talks in Vienna on Sept. 18.

Moscow's subsequent backtracking, by accusing the United States of posing intolerable preconditions, has left the Soviet leadership looking divided, or, in the words of Sir Geoffrey Howe, the British foreign secretary, unwilling "to take yes for an answer."

Even if the quibbling is resolved and the talks open next month in Vienna, European officials are convinced that no substantial progress will take place until after the U.S. elections.

The West German government has accepted the probable hiatus in talks with equanimity. An adviser to Chancellor Helmut Kohl said, "The West will be better served by an American president who can negotiate with the Russians with a fresh, four-year mandate."

West German and other European officials say that subjecting the proposed Vienna talks to the feverish emotions of a U.S. election campaign could encourage plays that might damage confidence in the arms control process.

A fiasco in Vienna would not only worsen U.S.-Soviet tensions, but also make it difficult to revive the Geneva talks on medium-range and intermediate nuclear missiles, the officials said.

European officials admit they are perplexed by the motives that lie behind recent Soviet behavior in squelching the Vienna talks after first suggesting them.

Moscow, some officials say, may have felt assured that Mr. Reagan would reject the offer after his repeated public declarations that the United States needed to catch up with the Russians before starting negotiations. The Russians have tested a crude anti-satellite system.

French commentators said that one of the Kremlin's objectives in suggesting the talks was to attempt to drive politically divide the United States and its European allies. If Mr. Reagan had refused, the administration might have found itself isolated.

In Brussels, at the headquarters of the North Atlantic Treaty Organization, officials said they were convinced there was "a legitimate possibility" the Russians wanted to start the talks in September in an effort to freeze reported U.S. plans to test a space-based anti-satellite platform this fall.

"The Soviets could believe the

## Theft, Export of Ship Parts From Rolls-Royce Reported

Reuters

LONDON — The police have uncovered a racket at the engine manufacturer Rolls-Royce Ltd. involving the theft of engine parts for warships and their secret shipment to Iran and Argentina, a British newspaper reported Sunday.

The Sunday Telegraph said the fraud squad was investigating corruption at the state-owned company's factory near Coventry, including the theft of parts for warship gas turbines over the past seven years. It said millions of pounds sterling were involved.

The newspaper said the police were also investigating allegations that cash and other gifts, including vacations, had been given to employees of other companies to help win contracts.

Police officials confirmed that they were investigating allegations of theft and corruption at the plant and the disposal and distribution of stolen property.

A spokesman said a number of men would appear in court Tuesday in connection with the theft of gas turbine components, but he refused to confirm or deny that parts had been smuggled to Iran or Argentina. He gave no further details.

Rolls-Royce, which makes engines for planes and ships, is not directly connected with the Rolls-Royce luxury car maker.

## Panama May Ask U.S. to Shut Base Used for Training of Latin Soldiers

The Associated Press

WASHINGTON — The United States may be forced to close a school in Panama at which 44,000 Latin American soldiers have been trained by U.S. officers since 1940.

Alan D. Romberg, a State Department spokesman, said Friday that negotiations to allow the United States to continue a training school at Fort Gulick in Panama "may not be successful." He said U.S. authority to educate Latin American military personnel there will expire on Oct. 1.

At issue is whether Panama will permit the United States to open a successor operation to the U.S. Army School of the Americas.

Last week, the Panamanian president, Jorge Illueca, said Panama would ask that the school be closed "in homage to General Omar Torrijos," whose government negotiated the canal treaties with the United States seven years ago.

Afterward, however, General Manuel Antonio Noriega, commander of Panama's Defense Forces, said no decision had been reached on the school.

## Massacres Are Reported in Uganda

### Slaughter of Civilians Called Worse Than Under Idi Amin

By Caryle Murphy  
Washington Post Service

WASHINGTON — The Ugandan Army has killed or starved to death thousands of civilians in recent months as part of the government's fight against insurgents, according to sources.

The deaths, mostly of women and children, as well as arrests of hundreds of political activists, are part of a campaign observers say is worse than during the eight-year rule of Idi Amin, the former dictator.

Elliott Abrams, assistant secretary of state for human rights and humanitarian affairs, said U.S. efforts to stop the killing have been unsuccessful. He said he planned to discuss it in detail at a congressional hearing this week.

A Ugandan Embassy official in Washington denied the assertions. Mr. Amin's was in power from 1971 to 1979. He suspended parts of the constitution, dissolved the National Assembly and has been accused of using troops to brutalize political opponents. Mr. Amin was removed from power after intervention by the Tanzanian Army and Ugandan exiles. The country had a series of appointed governments before the current elected president, Milton Obote, took over in 1980.

According to the U.S. sources and sources in private refugee-monitoring groups, the situation has deteriorated again and between 100,000 and 200,000 Ugandans have been killed in the past three years in an area of the country known as the Luwero triangle.

Many of those deaths have occurred since March when Mr. Obote's government, intensifying its battle with guerrillas, stopped international organizations from distributing food and medicine to the heavily populated area near the capital of Kampala, according to the sources.

"Millions of dollars which could be used to save lives are being stopped at Kampala," a source said.

In addition to the food cut-off, numerous reports of massacres and indiscriminate killings by the army in the Luwero triangle and in the northeast region of Karamoja began reaching Kampala in May.

These have led Western observers to conclude, in the words of one, that the government has initiated "a get-tough policy in which noncombatants seem to be the principal victims."

"It's a policy of terror in which people are being massacred," the source said.

Roger Winter, director of the U.S. Committee for Refugees, said: "It would not have been believable to a Westerner that conditions in Uganda could be worse under Milton Obote than they were under Idi Amin. But the numbers of people affected by these crazy, irrational killings are larger. There is not the buffoonery and notoriety attached to Obote that was attached to Idi Amin and so it just goes along and very few people focus on it."

Aggrey S. Awori, a minister at the Ugandan Embassy, said: "Your story is totally untrue. It is nowhere near the truth. It is deliberately calculated to malign the government and the innocent people of Uganda."

Mr. Awori denied that the government has stopped distribution of relief supplies. Although people have been killed in "cross fire between government forces and bandits," he denied it was as high as 200,000.

A source said that in one incident at the end of May, 300 people, many of them women and children, were raped and murdered by the army in a three-day killing spree at the town of Namugongo. A prominent Anglican cleric, Godfrey Bazira, was among those killed.

"It was by no means an isolated incident," the source said.

Mr. Awori said that "there was no massacre at Namugongo" and that the government had officially confirmed only 12 deaths there.

In addition, arrests of political opposition activists have increased since March, the sources said. Numbering in the "many hundreds at an absolute minimum," according to a source, they are believed to have been taken to secret military detention centers where they are kept in crowded and inhumane conditions.

A recent escapee from a military prison in Kampala said he had been forced to drink his own urine and that some inmates, to stay alive, had eaten the flesh of prisoners who were dead. The refugee, a 26-year-old taxi driver, said he believed he was imprisoned because he was a member of the Baganda tribe, which supports the opposition Democratic Party.

An estimated 800,000 civilians have been displaced in Uganda because of the continuing conflict, whose roots lie in tribal, religious and political differences.

"Our own efforts have not prevented the situation from getting worse and it is getting worse," Mr. Abrams said. He said he planned to give a full report on Uganda when he testifies Thursday before the House Foreign Affairs subcommittee on Africa and human rights.

The United States has a \$100,000 military-aid program with Uganda. Mr. Abrams said, it has provided \$9 million this year for three educational and medical programs through the Agency for International Development. Uganda has more than \$400 million in loans from the International Monetary Fund, an IMF spokesman said.

## Mugabe's Party Meets To Solidify Its Control

Reuters

HARARE, Zimbabwe — Zimbabwe's ruling party will hold its first congress in 20 years this week. About 6,000 members of Zimbabwe African National Union will debate a draft constitution whose central plank is the establishment of a one-party state in Zimbabwe under its own "vanguard leadership."

The meeting will begin Wednesday on the 21st anniversary of the founding of the party, which is now splintered.

The Zimbabwe African National Union held its first congress in 1964, and Robert Mugabe, now the prime minister, was elected to one of the three top posts.

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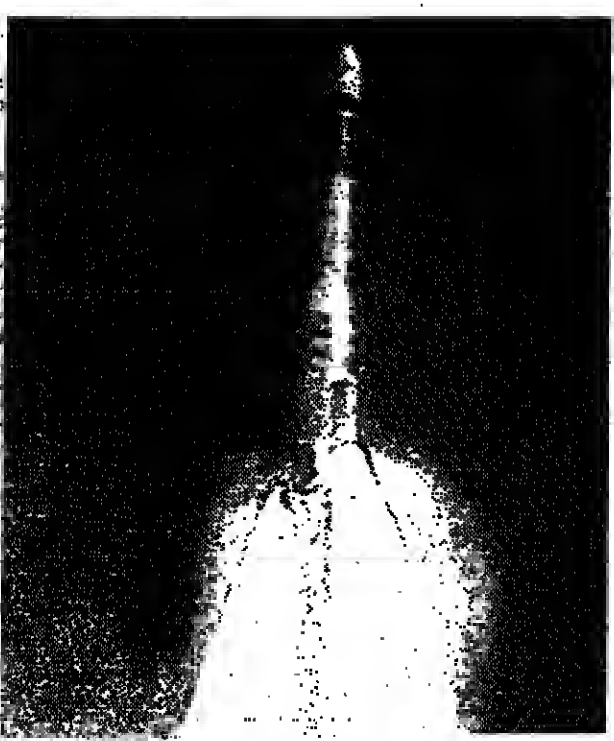
## Chimps Infected With AIDS in Lab

New York Times Service

NEW YORK — Scientists have succeeded in infecting four chimpanzees with acquired immune deficiency syndrome, or AIDS, and have taken a crucial step toward development of a vaccine against the disease.

Researchers from the Centers for Disease Control and the National Institutes of Health said Friday that two animals had been injected with a virus and the other two had been given blood taken from an AIDS patient. All became infected, although only one has actually become ill.

Transmission of the disease to a primate strengthened the case that a virus causes AIDS. Two viruses discovered earlier this year, one in France and the other in the United States, are thought to be implicated.



Europe's Ariane rocket takes off from French Guiana.

## Ariane Rocket Launches 2 Satellites In a New Challenge to U.S. Shuttle

The Associated Press

KOUROU, French Guiana — The European Space Agency has launched two communications satellites with its new Ariane-3 rocket, confirming its role as a major competitor with the U.S. space shuttle program.

The two telecommunications satellites were launched Saturday. They were placed in what European Space Agency officials said was a "perfect orbit" 22,350 miles (36,000 kilometers) above Earth.

Ariane, a conventional three-stage rocket developed by the 11-nation West European consortium, is technically less advanced than the shuttle, which is re-usable and can carry men and women into space.

But European Space Agency officials say it is the most advanced conventional satellite launcher in history and that conventional rockets can com-

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## Still Waiting for the 'Real Nixon' to Go Public

(Continued from Page 1)

feller dream, to suggest that these diaries are a potential source of revelation to future historians.

Take one September day in 1972.

Mr. Nixon dictated:

"Around noon, since it was such a beautiful day — clear blue — I went into the pool for a while. It was one of those days when I was able to be on my back and look up at the leaves. I was reminded of the fact that in the spring the leaves turned over in the wind and the leaves in the spring and the fall were really so very much alike. One portrays the beginning of summer, the other the beginning of winter, one the beginning of life, the other the beginning of death."

That afternoon of presidential relaxation, looking at the leaves, reflecting on death, certainly was not on the White House schedule that day. Nor should we misinterpret it as a revelation of Mr. Nixon's true character. But read that passage again and pretend it had been posed in a quiz: name the statesman who said this. Would anyone name Mr. Nixon?

I first learned of the potential significance of Mr. Nixon's dictated diary in the months after his resignation, while researching a book on the collapse of the Nixon presidency, "The Final Days," which was written in collaboration with a colleague, Carl Bernstein.

I learned about them from J. Fred Buzhardt Jr., who had been Mr. Nixon's chief Watergate defense attorney with the formal title of White House counsel for the last year of the Nixon presidency. Mr. Buzhardt died in 1978 at the age of 54.

My interview notes say it was Dec. 13, 1974, four months after Mr. Nixon's resignation, when Mr. Buzhardt first raised the subject of the Dictabelts.

He was a small man with thick glasses and the look of an intellectual or a bookkeeper. That day, he slipped into a booth at a hotel restaurant and ordered a double cheeseburger.

Once, just before Mr. Nixon's resignation, Mr. Buzhardt said, he and the White House chief of staff, General Alexander M. Haig Jr., discussed what Mr. Buzhardt called the "possibility of a presidential suicide."

But Mr. Buzhardt was convinced that no matter how deep Mr. Nixon's despair, he would not take his own life. Mr. Buzhardt felt Mr. Nixon was not the type for suicide.

After all, he had weathered so many other adversities.

"Deep down Nixon was very religious," Mr. Buzhardt said, according to my notes of that day.

I asked how and why Mr. Buzhardt had drawn that conclusion.

Mr. Buzhardt said that he had listened, hour after hour, to the private, personal diary. The reminiscences, Mr. Buzhardt said, were

"not meant for human ears." Mr. Nixon would not even let Rose Mary Woods, his loyal secretary, listen to or transcribe them, although Mr. Nixon apparently had someone else transcribe them later. Under the pressure of Watergate, subpoenas for tapes, missing tapes, gaps and all the other suspicions of those years, Mr. Nixon had let Mr. Buzhardt listen.

"It was unimpaired," Mr. Buzhardt said. After a pause, he added: "I'm embarrassed at the insights I have from listening to the recordings. It was, he said, the only thing, he, Mr. Buzhardt, would not discuss. He said the material was too personal, for those evening dictations were Mr. Nixon's psychiatrist."

I pushed for some detail, some sense of what was there. Mr. Buzhardt refused to provide any, but, claiming an amateur interest in psychiatry, he offered a theory based on the Dictabelts.

Mr. Nixon, he said, was a true introvert who did not like going out and meeting people. Campaigning, going public was painful. It was a front, a false self, to be outgoing as a politician must.

"When a man does something like that to himself," Mr. Buzhardt said, referring to Mr. Nixon's decision to enter a profession that pulled and tugged against every fiber of his nature, he "puts on an outer shell."

And that makes close relationships impossible, Mr. Buzhardt said. Mr. Nixon was not close to anyone. All his relationships, even with members of his family, were highly formal. Mr. Nixon never had to come clean with his emotions.

Mr. Buzhardt said that Mr. Nixon, in dictating his diary, was not only highly revealing but also exceptionally emotional. The president's lawyer said that listening to the diaries was his own most emotional experience of the Watergate affair.

I had a dozen more interviews with Mr. Buzhardt in 1974 and 1975, and each time I pressed for more detail. He would say nothing about the contents. He once observed that the daily dictations contained Mr. Nixon's "real, instinctive reactions to everyday occurrences, feelings that had to be submerged."

Why did these feelings have to be submerged? Mr. Buzhardt suggested that in politics Mr. Nixon believed he had to calculate what to say but that his "instinctive reactions were often better than his calculated ones."

"At a young age, he decided that he had to do things that way," he said.

Mr. Buzhardt implied that there had been some personal crisis, perhaps in childhood, that Mr. Nixon had referred to on the Dictabelts.

The sharing of those Dictabelts was a sort of secret pact between Mr. Nixon and Mr. Buzhardt. But during their many discussions Mr. Nixon never asked what Mr. Buzhardt thought of the dictations or made any comment on them.

Mr. Buzhardt said that Mr. Nixon's candor in recording his diary was the chief reason why he pushed Mr. Nixon to obtain exclusive custody of them after his resignation.

Although the National Archives has custody of all the White House tapes from the office and phones, under the agreement worked out after Mr. Nixon's resignation, the dictated diary remains Mr. Nixon's personal property. Apparently, there are about 500 Dictabelts.

"They are his personal property," James Hastings of the National Archives said of the Dictabelts, "and he can do whatever he wants with them." Mr. Nixon's Washington lawyer said he did not know what plans the former president had made for the disposition of the recordings tapes. Mr. Nixon's office in New York did not return a phone call.

Mr. Buzhardt's testimony about the Dictabelts is compelling, but we have more to go on. Several other people heard at least a few of the Dictabelts and each was apparently deeply affected by them.

One was Judge John J. Sirica, who, at Mr. Buzhardt's request, listened to two Dictabelts to confirm that they contained nothing relevant to the investigation.

Judge Sirica, who presided at the Watergate trials, recently confirmed that he heard the two Dictabelts. His law clerk at that time, D. Todd Christofferson, recently summarized his recollections in a letter to Judge Sirica.

"We found that Mr. Buzhardt's characterization was accurate," Mr. Christofferson said, that is, that the dictation consisted of personal reminiscences by Mr. Nixon. George T. Frampton, an assistant Watergate special prosecutor, said last month that he recalled the Dictabelts.

"These were private, let-your-hair-down, personal thoughts made in the quiet of the night," Mr. Frampton said. "They were not meant for anyone else's ears."

He added: "We understood that the Nixon on heard on these Dictabelts was different from the Nixon of the office tapes."

Assistants who helped Mr. Nixon write his memoirs also had access to transcripts of the Dictabelts. They too, it is reliably said, found the diary compelling and urged Mr. Nixon to use more of it in the memoirs.

Some of the material he did use in "RN" was revealing, the more so once one knows something about the background of the Dictabelts.

For example, the Feb. 26, 1972, entry during Mr. Nixon's trip to

China, strikes a standard Nixon theme about the benefits of adversity but is more personal than the familiar Nixon:

"Chou En-lai and I had a very interesting conversation on the way to the airport in Peking. He spoke of Mao's poem, which he wrote on returning to his hometown after 32 years. He returned to the point he has made quite often, that adversity is a great teacher. I related it to adversity generally and pointed out that an election loss was really more painful than a physical wound in war. The latter wounds the body — the other wounds the spirit. On the other hand, the election loss helps to develop the strength and character which are essential for future battles. I said to Chou that I found that I had learned more from defeats than from victories, and that all I wanted was a life in which I had just one more victory than defeat."

In another September 1972 entry, "The American leader class has really had it in terms of their ability to lead. It's really sickening to have to receive them at the White House as I often do and to hear them whine and whimper and that's one of the reasons why I enjoy very much more receiving labor leaders and people from middle America who still have character and guts and a bit of patriotism."

"The meeting with the labor leaders was the best of all. . . . Frankly, I have more in common with them from a personal standpoint than does McGovern or the intellectuals generally." Senator George A. McGovern of South Dakota was Mr. Nixon's opponent in the 1972 campaign.

Also during the 1972 campaign, he dictated:

"Certainly, no one could say that we didn't have the jumpers and the squealers in Michigan. . . . By the time we got back to the residence we were really bushed. Pat had dinner with me in the study — she had a second helping of chicken but I was not really in a condition to eat much and was glad that King [Mr. Nixon's dog] came in to finish off my steak. Pat has been a really tremendous trooper in the past week."

"I finished the day sitting out at the pool and smoking a cigar from Iran."

An Iranian cigar?

Mr. Nixon quotes the diary entry concerning what he described as a memorable campaign trip to the ranch of John B. Connally on Sept. 22, 1972:

"I woke up twice in the night, once at 2, and once at 4 — even though I was terribly tired when I went to bed. Finally at 7 o'clock I woke up again. When I got up, opened the blinds, looked out on beautiful green countryside, at the cows in the pasture, rang for breakfast."



In 1973, Richard M. Nixon's lawyer, J. Fred Buzhardt Jr., left federal court after a hearing called by Judge John J. Sirica after the White House announcement that two of the presidential tapes sought as evidence could not be found.

fast, to my great pleasure instead of my meaty germ they insisted on sending in some of their country sausage, which was totally and perfectly delicious. I am going to have to mix up the breakfasts and lunches just a bit in order to get away from such a drab and uninteresting diet."

Mr. Nixon drew up a balance sheet at the beginning of 1963:

"As the year 1972 ends I have much to be grateful for — China, Russia, May 8 [the decision to mine the harbors of the North Vietnamese port of Haiphong], the election victory, and, of course, while the end of the year was somewhat marred by the need to bomb Hanoi-Haiphong, that decision, I think, can make the next four years much more successful than they otherwise might have been. 1973 will be a better year."

He was wrong. The diary entries from early 1973 that Mr. Nixon quotes show how quickly his mood changed. They also seem to prove that Mr. Nixon was aware of the Watergate cover-up and that he closely monitored developments in the case.

The Jan. 6, 1973, entry concerns Charles W. Colson, his special counsel, and E. Howard Hunt, a former Central Intelligence Agency operative who supervised the Watergate burglary. Colson told me on Friday that he had tried to do everything he could to keep Hunt in line from turning state's evidence.

As Mr. Nixon learned later on, trying to keep people from turning state's evidence is also known as obstruction of justice.

When the fatal cover-up conversations with John W. Dean 3d, a former White House counsel who later testified against the president at the House impeachment inquiry, intensified in February and March of 1973, the Nixon diary is filled with praise. Mr. Dean is described as "an enormously capable man."

Mr. Nixon also observed: "I am very impressed with him."

Earlier, Mr. Nixon had noted Mr. Haldeman's view of Mr. Dean: "He had the kind of steel and really mean instinct that we needed to clean house after the election."

After Mr. Nixon had to dismiss his top aides, Mr. Haldeman and Mr. Ehrlichman in April 1973, he stopped dictating. And, he noted in his memoirs, no diary was kept for the next 14 months, one of the worst periods in the Watergate affair. But on June 7, 1974, he returned, like a moth to the flame or a man to his true conscience. By the end of that month he was worried about the pleuritis in his leg and how his illness would appear to the public.

"We must make sure that people never get the idea that the president is like Eisenhower in his last year or so, or like Roosevelt, or, for that matter, even like Johnson when everybody felt that Johnson was probably ready to crack up and was drinking too much and so forth. I think we can avoid this by proper handling."

During the week when the House Judiciary Committee voted to recommend his impeachment in July 1974, he observed:

"I intend to live the next week without dying the death of a thousand cuts. . . . I suppose it could be said that this is our Seventh Crisis in spades [a reference to his book, "Six Crises," published in 1962]."

"We can only hope for the best and plan for the worst."

His final diary entry as president, 10 days before resigning, concerns money, Mr. Kissinger and General Haig.

"Looking to the future, I recognize that I would have to face up to the hard fact of how I could take care of our personal expenses in the time ahead. Whether I can sell a book or papers or what have you in order to have the funds that would be needed."

"Henry came in to see me, very mournful but, bless him, he was thinking only with his heart. A very unusual approach for a man who is so enormously endowed with extraordinary intellectual capacity."

He said that his wife had told him that history in four years would look back on the president as a hero. And Al [General Haig], of course, has made the point that history will show me in the end to have been an outstanding president."

That is the last entry from his diary. Interestingly, however, Mr. Nixon then begins to quote extensively from the diary of his daughter Patricia, better known as Tricia, who is now Mrs. Edward Finch Cox. On the day of his resignation, Aug. 9, 1974, Mr. Nixon met his staff in the East Room for a nationally televised farewell that was perhaps the most emotional, truthful and memorable Nixon speech.

He said he was not rich. He said his mother was a saint. He said he liked to read books and quoted from Theodore Roosevelt's diary about the death of his first wife: "And when my heart's dearest died, the light went from my life for ever."

Mr. Nixon was sweating and almost choking with tears. The room was full of weeping and sobbing.

And from Tricia Nixon's diary, quoted in her father's memoirs, are words about this moment that everyone who watched must have known intuitively was true. She wrote:

"The words themselves were unique, for Daddy, because they were from the heart. Not formal. I was glad that at the end people at last had a glimpse of the true person he had always been. At last the 'real' Nixon was being revealed as only he could reveal himself. By speaking from the heart people could finally know Daddy. It was not too late."

And, of course, Mr. Nixon himself or some future historian may some day share with all of us the rest of that other side, the other face of Richard M. Nixon.

Bob Woodward is an assistant managing editor of The Washington Post.

## Saudi Arabians Release 17 Americans From Jail In Effort to Bolster Ties

By Judith Miller

New York Times Service

WASHINGTON — Saudi Arabia has released about half the Americans it was holding in prison, according to Saudi and U.S. officials and a prisoner who was recently freed.

A State Department official said Thursday that 17 Americans had been freed under an amnesty for Saudis and foreigners decreed in June by King Fahd. More releases are imminent, the official said.

U.S. officials said that the Saudi action was expected to ease tension with the United States over accusations that U.S. citizens were being psychologically or physically abused in Saudi jails. Saudi Arabia has rejected the charges.

The Saudi gesture was also seen, they said, as reflecting gratitude for U.S. military aid in June.

The aid involved administration approval of an emergency shipment of 400 Stinger anti-aircraft missiles to help the Saudis defend shipping, oil facilities and other installations.

Saudis in Washington denied suggestions that the king's amnesty was related to military aid. A Saudi Embassy spokesman said that Prince Bandar bin Sultan, the ambassador, had been working for months to arrange the release of all Americans in Saudi prisons "to broaden and strengthen relations between the two countries."

There are 65,000 American workers and dependents in Saudi Arabia. On the average, 20 to 60 are in jail at any given time.

Some of the crimes they are charged with, such as drug trafficking, are also criminal offenses in the United States. But others, such as possession of liquor, are not crimes in most parts of the United States.

In October, the United States protested to Saudi Arabia over 10 instances of psychological or physical abuse documented by consular officers.

The United States expressed concern about Saudi reluctance to notify the embassy when Americans were arrested and for not permitting access to some Americans, especially during questioning on drug charges.

Saudi Arabia rejected the protest. After the report of mistreatment, Saudi officials began an investigation.

The results have not been disclosed, U.S. officials here said.

Saudis said that Fahd's amnesty did not apply to people accused or convicted of murder or of defrauding a Saudi national.

The majority of Americans in Saudi jails were found guilty of possession of drugs or alcohol. U.S. and Saudi officials said that most of these Americans had been released or would be in a few weeks.

Several of the released prisoners said in interviews last week that they were bitter toward Saudi Arabia, the companies they had worked for and U.S. Embassy officials.

Some lawsuits filed by Americans are still pending in U.S. courts. Two of them are directed against Arabian American Oil Co., or Aramco.

Aramco is the largest employer of Americans in Saudi Arabia. The Saudi-controlled company operates the country's oil industry.

The lawsuits accuse Aramco of breach of contract and defrauding U.S. employees by intentionally or negligently misrepresenting Saudi laws and legal practices.

James Knight, a spokesman for Aramco in Washington, declined to comment on the allegations in the lawsuits.

Among the plaintiffs is Alvin L. Levine, 57 years old, an engineer who was arrested in March 1983 and convicted at a closed trial in July of possessing and distributing pornographic videotapes. Mr. Levine admitted possessing some pornographic tapes but denied that he had distributed them.

His case was among those cited in a State Department's protest in October.

In his lawsuit, Mr. Levine said that he had been beaten and tortured by Saudi police. "Malicious, oppressive, and fraudulent" conduct by Aramco and the kingdom, the suit asserted, resulted in more than a year of jail, estimated financial damage of more than \$1 million and emotional distress.

Interviewed in Washington last week, Mr. Levine said he intended to press his case despite the amnesty.

"I've lost a year and a half of my life," he said. "I want justice, may be revenge. Aramco abandoned us. So did the U.S. consular officers over there."

## Carl D. Perkins, 71, U.S. Congressman, Dies

Washington Post Service

WASHINGTON — Representative Carl D. Perkins, 71, a Kentucky Democrat and the chairman of the House Education and Labor Committee, died Friday at a hospital in Lexington, Kentucky, apparently of a heart attack.

A member of the House of Representatives for 36 years, Mr. Perkins long championed social welfare legislation that ranged from job training to school lunches. He had been the chairman of the Education and Labor Committee since 1967, the year in which the committee handled most of President Lyndon B. Johnson's anti-poverty legislation.

In 1981 he fought a losing battle against budget cuts proposed by the Reagan administration in federal education assistance, employment programs and child nutrition.

More recently, he was instrumental in the House passage of legislation permitting student religious groups to meet in public schools.

He was born and reared in Knott County in eastern Kentucky, a region that was and is predominantly poor and heavily dependent on coal mining. That region eventually



Carl D. Perkins

became one of the principal beneficiaries of the social welfare programs Mr. Perkins espoused: school lunches, medical assistance for the elderly, help for coal miners afflicted with black lung disease, and federal funding for job retraining and education.

**Other deaths:** Philip Van Doren Stern, 83, a historian, novelist and editor known for his books on the Civil War era, Tuesday in Sarasota, Florida, of a heart attack.

Unacknowledged Nakamura, 83, an influential member of Prime Minister Yasuhiro Nakasone's Liberal Democratic Party and a former speaker of the lower house of parliament, Saturday in Tokyo of a brain infarction.

General Pierre Dejean-Pontcaral, 86, a founder of the French Forces of the Interior, part of the French Resistance in World War II, has died, his family said Saturday.

Gopi Krishna, 81, an Indian author and philosopher known for his writings about the value of practicing yoga, Tuesday in Srinagar, Kashmir, of pneumonia.

**Memories of Watergate Are Said to Be Fading**

United Press International

WASHINGTON — A university history professor who is writing a book on the presidency of Richard M. Nixon says the Watergate scandal is rapidly fading from the public memory.

Joan Hoff-Wilson, an Indiana University professor and secretary of the Organization of American Historians, said in an interview published Sunday that "In my history classes, I find that I can't even use Watergate jokes because undergraduates don't understand the references."

"They look at me as if I am talking in jargon. For them, Watergate is already a dim and distant curiosity."

His health, he has told recent visitors, is excellent for a man his age, and he hopes he lives to see the 21st century.

And he is fond of quoting Sophocles: "One must wait until the evening to see how splendid the day has been."

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Reserves	109,600	92,818	Investments	68,366	83,399
Deposits etc.	3,114,546	2,939,911	Loans & Advances	1,560,833	1,566,835
Contra Accounts	740,411	749,960	Contra Accounts	740,411	749,960
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# BANKING AND FINANCE IN NIGERIA

A SPECIAL REPORT

MONDAY, AUGUST 6, 1984

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## Political System' Remains in Place Despite Military

By Eddie Iroh

LAGOS—Nigerians hold a philosophy that perhaps best captures their political situation. They say: "soldier go, soldier come, but banks remain."

In 24 years of independence, Nigeria has had seven governments—civilian and five military. But the country's "political system" has remained basically the same. The actors and ideology—or lack of the latter—that began with independence in October 1960 have remained relatively unchanged.

The fundamental concern of Nigeria's successive leaders has been to recognize and reflect in practice the country's multi-ethnic nature. Whether as a federation of four states, or a federal republic of 19 states, the objective has endured.

To be sure, the military did attempt to tamper with the federal structure. The late General Abacha's 1993 Unification Decree tried to introduce the kind of centralized command structure that soldiers were more comfortable with. But it soon became clear to most Nigerians a unitary

system of government was as suspect, even disastrous, under military dictatorship as it would have been under a civilian democracy.

While there is no longer any dispute about the federal structure as the best means of reflecting the varying needs and religious pluralism of some 250 tribes and tongues, ideological debate has remained inconclusive, resuming each time a new government comes to power.

But successive governments have avoided committing themselves to any ideological position, in spite of pressures from an articulate and growing left wing. They say that such a commitment is an "imposition on the people of Nigeria."

Speaking recently to the editor of the Lagos-based Punch newspaper, the chief of staff of supreme headquarters and the second-highest ranking government official, Brigadier Tunde Idiagbon, said that "an ideology is not an end in itself, only a means to an end." The present government, he declared, "would prefer not to be haunted by the ghost of ideology." It is a rebash of the position of earlier governments.

There are, however, many who (Continued on Next Page)



General Muhammad Buhari, head of state.

## Growing Debt Problems: Can the Economy Cope?

Special to the IHT

LONDON—Barely three years ago, Nigeria was universally regarded in the international banking community as "underborrowed." Bankers rushed to advance dollars to state and federal governments for their pet projects, regardless of the long-term costs and benefits.

Today, the largest oil producer in Africa is seen by the same people as a real problem case, with a debt burden of disturbing proportions building up for the rest of the decade, and considerable uncertainty over its ability to manage its financial affairs.

So what went wrong? Did the bankers misread Nigeria, or has the situation really been transformed so drastically? How serious is Nigeria's indebtedness, and can the country cope?

Inevitably, the answers include a bit of everything: a degree of blindness by the bankers, compounded by their excessive marketing zeal, combined with judicious borrowing by a host of government agencies in Nigeria, bad management that failed to identify the problem in time and all of this accentuated by the dramatic effects of the international oil glut, which decimated the country's oil revenues in a period of months.

On the face of it, Nigeria's external borrowing policies have been "conservative," to cite the International Monetary Fund. With the exception of two "jumbo" loans totaling \$1.75 billion undertaken in 1978 for balance of payments purposes, and about \$2.1 billion borrowed to set up a domestic steel industry, "medium- and long-term debt contracted or guaranteed by the federal government of Nigeria has been in relatively small amounts," according to a recent IMF report.

Nevertheless, there was a rash of borrowing by the 19 state governments after the return of civilian rule in 1979, and the conservatism of medium- and long-term borrowing was not matched by similar restraint in the short-term trade finance sector. Today's problem is a combination of those two factors.

Estimates by the World Bank and the IMF put Nigeria's external indebtedness in 1980 at a modest \$4 billion, rising to \$4.95 billion in the following year, and \$7.97 billion by 1982. Yet, most of the increase between 1981 and 1982 is accounted for by a sudden recalculation of the indebtedness of the state governments, because nobody had kept track of them adequately.

Latest figures published by the Nigerian government—its own admission that a problem exists—put the debt at the beginning of 1984 at about \$10.2 billion, including the refinancing of some \$1.9 billion in short-term bank credits agreed in July and September of 1983.

To that must be added the cost of refinancing a further huge backlog in short-term trade debts, still being

ing negotiated by the Nigerian government with both uninsured creditors and the major Western export credit guarantee agencies such as the U.S. Ex-Im Bank, Britain's Export Credit Guarantee Department (ECGD), France's Coface and West Germany's Hermes. The Nigerian Finance Ministry puts the total at \$4.6 billion, while some banks believe it could easily total \$6 billion.

Nigeria is seeking to repay the money over six years, with a grace period of 30 months and an interest rate set at 1 percent over Libor, the London interbank offered rate. With the assistance of Chase Manhattan Bank, it is currently involved in a massive operation to calculate exactly how much is outstanding, by reconciling the claims of Nigerian importers and their suppliers.

That exercise seems certain to take several months more. With Chase trying to process more than 200,000 separate claims, the end result will be to push up the figure for disbursed medium- and long-term external indebtedness to at least \$15 billion, almost four times the level of 1980.

In addition, Nigeria has about \$8 billion in undisbursed loans outstanding, although much of the money is tied to projects that have slowed to a standstill because of the shortage of government finance inside the country and cannot, therefore, be drawn down rapidly.

While the level of debt has soared, Nigeria's foreign exchange reserves dwindled to a purely notional level of around \$1 billion, artificially maintained by accumulating ever-increasing short-term payments arrears, and rationing everyone from Nigerian students overseas to expatriate workers inside the country.

The key to Nigeria's debt-service capacity in the coming years, as to most economic activity, will be the level of oil production and exports.

The latest decision by the Organization of Petroleum Exporting Countries to allow Nigeria an increase from 1.3 million to 1.4 million barrels a day in August and 1.45 million in September in its official production quota, will provide only a very temporary palliative, unless it can be extended. Every extra 100,000 barrels a day earns the country an extra \$1 billion a year from oil exports.

In spite of the drastic cuts in imports imposed from April 1982 onward, the deficit on the current account of the balance of payments still came to \$4.4 billion in 1983, after reaching almost \$6.8 billion the previous year. Although imports are down again this year, economic activity has been drastically reduced, accumulated stocks (traditionally kept very high in such an uncertain market) are effectively exhausted and further import savings seem unlikely.

If oil production for the year averages around 1.4 million barrels a day, the total oil export earnings

should be of the order of \$10.8 billion. Visible imports were cut in the first quarter of 1984 to some \$810 million a month, which would mean \$9.7 billion for the full year, if the cuts can be sustained.

That would leave a visible trade surplus of some \$1.1 billion to help pay debt-servicing costs for 1984 estimated at \$3.8 billion. As the costs of servicing the refinanced trade arrears, and the bulge in medium-term borrowing, build up, the debt servicing requirement could reach some \$4.4 billion in 1985, and more than \$5 billion in 1986 and 1987, according to relatively conservative banking estimates.

If oil income does not increase significantly in the coming years, Nigeria will, therefore, be facing a debt service ratio—the proportion of its export earnings consumed by debt servicing—of something approaching 50 percent.

Nigerian officials insist that the future debt-service costs are not so high, but they have already taken some action to prevent any further deterioration, including an absolute ban on any further foreign borrowing by state governments.

However, if the banking estimates for external debt and the future servicing costs are remotely accurate, Nigeria seems certain to need a significant amount of balance-of-payments finance to tide it over until oil and other exports can pick up and a sustained reduction made in imports.

The immediate source of such finance would be the IMF. But Nigeria's talks with the fund have become bogged down over disagreement on the need for an outright devaluation of the naira. Fund officials insist that any economic restructuring, to promote nonoil exports and domestic agriculture and discourage imports, will be impossible without a swift and sharp devaluation of at least 25 percent. Nigerians are virtually unanimous that such a move would be disastrous both economically and politically, pushing up inflation throughout the economy—not only in the imported-goods sector—and putting a huge extra burden on Nigerian importers with a backlog of unpaid bills.

## Oil Boom Ends, but Substantial Income Remains

By Martin Quinlan

LAGOS—Nigeria's oil boom is over, but the government has substantial foreign-exchange earnings coming in.

Net revenues—shared between federal and state governments—peaked at over \$23 billion in 1983, but declined in line with the falling market for oil to only \$10 billion last year. This was translated into an increase to around \$12 billion on this year indicates that the boom is over.

OPEC can keep its price/protection pact together, analysts say that gradual economic recovery will ease the pressures on a financially over-supplied world

oil market. Political crises—such as an escalation of Gulf hostilities—apart, few are predicting any significant real-terms increase in oil prices for some time to come.

But Nigeria is well-placed to capitalize on short-term increases in demand, and might be able to persuade OPEC to allow another rise in its production ceiling when conditions allow.

The increase—presented as "temporary"—conceded to Nigeria at OPEC's July conference is seen as establishing an important precedent, with Saudi Arabia (which will curtail its output to maintain the overall 17.5 million barrels a day ceiling) recognizing that Nigeria's difficulties are greater

than its own. If Nigeria can sell the extra oil, it will be able to lift 1.4 million barrels a day in August and 1.45 million barrels a day in September (against the former ceiling of 1.3 million barrels a day). Net revenues at 1.45 million barrels a day are over \$1 billion a month—well in excess of the current level of imports.

What remains to be seen is whether there will be a market for the additional oil. Oil Minister Tam David-West is highly optimistic, claiming that 1.6 million barrels a day would be needed to satisfy new contracts awaiting signature together with the needs of existing customers. For the first few months of this year demand for the heavier

Nigerian grades, particularly Bonny Medium and Forcados, was strong due to their high diesel yield (needed to meet an unforeseen peak in demand for heating oil and diesel oil). But lately demand for these grades has eased, and price premiums that Nigeria was negotiating failed to materialize. Other OPEC members will be watching like hawks for signs of disguised price-cutting—such as selling a mix of heavy and light crudes, at an intermediate price. But Lagos seems unlikely to take unfair advantage of its concession.

The other development behind the forecast \$2-billion rise in revenues this year is the government's clampdown on rackets to export

refined products illegally. It is now clear that illegal products exports—attractive because Nigeria's prices are subsidized—were behind much of the escalation in figures for Nigeria's products demand over the last few years. According to OPEC statistics, Nigerian consumption climbed from 112,000 barrels a day in 1977 to 171,000 barrels a day in 1980, and by 1982 had hit 247,000 barrels a day. But rigorous policing of borders and ports by the military government earlier this year soon led to over-bumping storage tanks as the illegal flow was stemmed.

In addition to its own refining (Continued on Page 10)

## Government Begins to 'Clean Up' Trade Sector

By Patrick Smith

LAGOS—Nigerians, frequently aided by their local newspapers, are a nation of traders, have been long to come to terms with a government that has pronounced itself "determined to clean up the commercial sector." The country's mercantile class, from the small market stallholder to the owner of the biggest retail outlets and big commodity importers, has been affected by a series of government measures aimed at controlling prices and reducing graft and corruption.

The most obvious change is the physical appearance of the cities. The rows of stalls that lined the streets of most of the major cities have gone, in some cases all that remains of them is a pile of broken planks and crumpled sheets of corrugated iron.

The notorious Quayside market in the center of Lagos, where one could buy anything, from bags of maize to a smuggled version of the latest Pierre Cardin suit, has been completely razed to the ground. In the suburbs whole areas of apparently waste ground, where shepherds from the north would

bring their rams down to graze before selling them, have now been cleared. The shepherds are now directed to the City Council's abattoir.

The 19 state governments now demand that all traders must pay a license and a subscription fee to the local authorities and set up their stalls only in approved market areas. The governor of Lagos state, Group Captain Gbolahan Mada-shiru, said that the government did not want to deprive traders of their livelihood but wanted to clear the streets of "obstructions and criminal elements."

Licensing traders is providing the state government with a much-needed extra source of revenue since few of the traders were paying any form of income tax.

Nigeria is overwhelmingly a cash economy—most traders fund their businesses from huge stacks of naira artfully concealed in their homes. It was partly because of this hoarding that the currency exchange earlier this year hit trading so badly. Many traders were starved for cash since anyone who presented more than 5,000 naira for exchange at the bank was re-

quired to account for the money and leave it on deposit. Many traders for the first time in their lives had to open bank accounts.

But Nigerian bankers do not anticipate winning that many customers. "They opened their accounts at the time of the currency exchange, but as soon as they could, they withdrew most of their money that had been on deposit and we haven't seen most of them since," said one Lagos banker.

The currency exchange did have a temporary stabilizing effect on (Continued on Page 10)

### BASIC DATA

AREA: 923,768 square miles; population (1982): 82,382,000.

GROSS DOMESTIC PRODUCT (1983): \$48 billion. GDP per capita: \$543.

IMPORTS (1982): 7.8 billion naira.

EXPORTS (1982): 7.216 billion naira.

MONEY SUPPLY (1983): \$11.5 billion naira.

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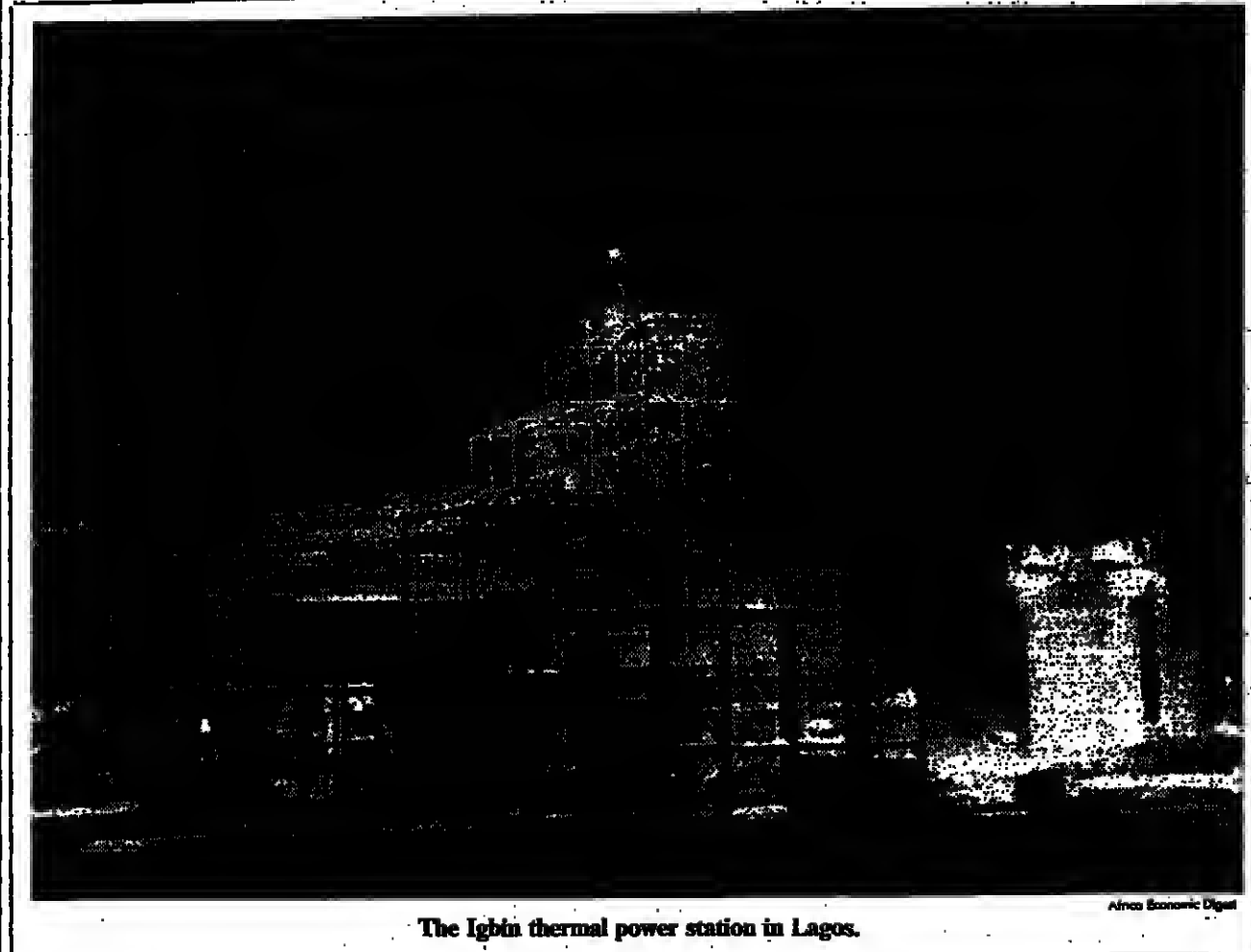
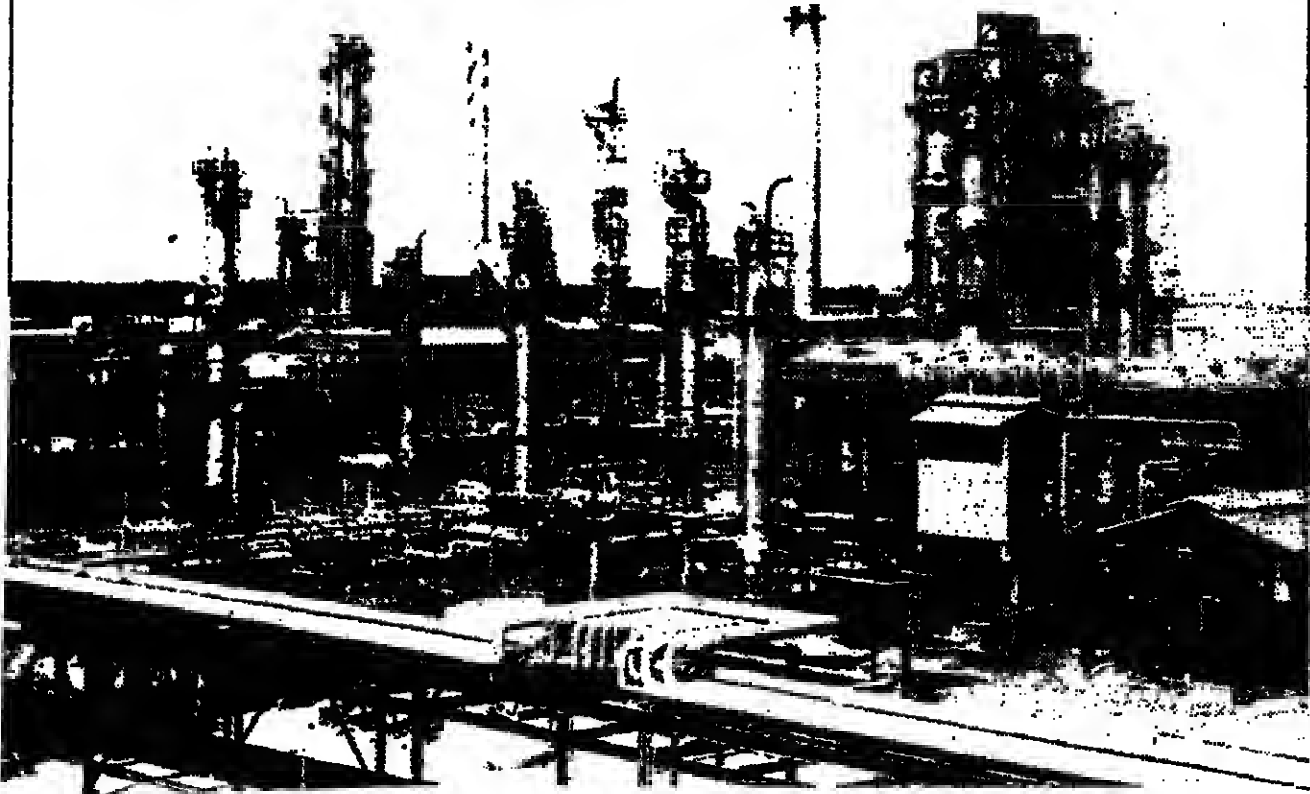
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VERY BASICS OF INDUSTRY TODAY AND FOR  
CENTURIES TO COME.THE RAPID PACE OF MODERNISATION. THE  
SPECTACULAR INDUSTRIAL DEVELOPMENT IN  
NIGERIA. THE REQUIREMENTS OF INDUSTRY:  
OF PLASTIC ENGINEERING, AND AGRICULTURE,  
OF CHEMICAL ENGINEERING, AND THE  
TYRE INDUSTRY, ETC.EACH DEPENDS ON THE STRENGTH OF  
PETROLEUM... AND ITS BY-PRODUCTS. THAT  
MEANS NNPC.IT IS NO EXAGGERATION. WE ARE THE PIVOT  
OF NIGERIA'S ECONOMIC GROWTH.

# NNPC

Pillar of Nigerian Economy



The Igbia thermal power station in Lagos.

## Waging 'Wai' Against the Indisciplined

LAGOS — On a wall in the Ministry of  
Finance in Lagos hangs an example of Nigeria's  
latest attempt to discipline itself."Lateness to work is indiscipline.  
Jumping over the queue is indiscipline.  
Sleeping on duty is indiscipline.  
Noise-making in the office is indiscipline.  
Leaving office without permission is indis-  
cipline."Romance in the office is indiscipline.  
So don't be anti-wai. Let us put a little order  
into our lives... By order, chief of staff, su-  
preme headquarters."Wai, or war against indiscipline, is being  
waged on every front, from office propriety to  
the public execution en masse of armed car  
robbers, from the tearing down of street traders'  
kiosks to the secret military trials of corrupt  
officials of the last regime. If lapel badges and  
the proliferation of organizations — banks, boy  
scouts, government departments, the water ser-  
vices, perhaps even the secret society of traffickers  
in naira — that have launched their disci-  
plinary campaign is anything to go by, wai is  
already one of the successes of the regime of  
General Muhammad Buhari.The skeptics recall that even the former presi-  
dent, Shehu Shagari, was against corruption  
with his "ethical revolution" and that many  
officers from previous military regimes have set  
up businesses and bought large homes that  
could not have been paid for out of a soldier's  
remuneration. But the wai target goes further;  
and it is aimed at inefficiency in the political  
and economic system — although it is often  
difficult to draw the line between inefficiency  
and corruption.The corruption in the last days of the Shagari  
government was so staggering as to be barelybelievable. In the upper echelons of the presi-  
dential advisers, who controlled state contracts,  
the going *dash* — bribery — rate was as high as a  
third of the contract price, be it rice, construc-  
tion or oil.What makes the ordinary Nigerian particu-  
larly angry is not so much that the money was  
taken from foreign contractors, but that it has  
not been invested at home. In the eyes of Nigeri-  
ans, the corrupt officials are guilty more of lack  
of patriotism than of milking the expatriates.All the while, Nigerians are watching the  
parade of state governors, senators, party offi-  
cials, local councilors, down to the lowest level of  
"arrangees" and customs official being charged  
under various military decrees. So far eight of  
the 19 former state governors have been tried by  
special military tribunals. Last month, Adamu  
Atta, the former governor of Kwara, got six  
concurrent sentences, of 21 years' for official  
corruption and abuse of office. He has been  
ordered to repay 2 million naira, and 42 former  
Kwara legislators were ordered to repay 40,000  
naira each.Certainly, an added incentive in the govern-  
ment's attempt to put Umaru Dikko, the former  
minister of transport, on trial was the fact that  
all the governors and "big men" sentenced up to  
now have been southerners. Mr. Dikko, a north-  
erner, would have allayed criticism that the  
northern-dominated, Hausa-Fulani, Supreme  
Military Council was biased.Mr. Dikko, who is living in London, was the  
victim of a kidnapping attempt there on July 5.  
The Nigerian foreign minister, Ibrahim A.  
Gambari has said that the Buhari regime was  
giving priority to building a corruption case  
against the former minister to speed his legalextradition from Britain. Mr. Gambari also has  
said that the military government considered  
Mr. Dikko, who has been accused by the Nigeri-  
an government of looting millions of dollars in  
public funds while in office, as its public enemy  
No. 1.The internal naira squandering of money has  
been as serious as that of foreign-currency deal-  
ings. The Sunday *Triumph* newspaper reported  
on a contractor who collected a 77,000-naira  
"mobilization fee" for the construction of a  
100,000-naira town hall in Kuta, in Niger state.  
Even then he failed to get it built. Niger's  
military governor, the radical Lieutenant Colo-  
nel David Mark ordered the contractor's arrest  
and the freezing of his bank account. In similar  
cases, courts or governors have ordered that the  
job be finished, the money paid, or presumably  
that the non-deliverer go to prison. In Plateau  
state, 2 million naira in unpaid taxes are being  
collected from slow payers like state ministries  
and parastatals.The naira currency change in May was aimed  
at soaking up billions of actual notes abroad in  
London, Niger and Benin, and more especially  
in Saudi Arabia, the biggest naira market in the  
world outside Nigeria, with 60,000 Nigerian  
Moslems a year on the hajj pilgrimage to Mecca.Can the soldiers get to the root of corruption,  
punish the wrongdoers, encourage the honest  
and creative, make the savings, while its popu-  
larity lasts? Or is corruption so widespread that  
no one is above suspicion? As a writer in *The  
Punch*, a Nigerian publication, said: "The indi-  
cpline has eaten so deep into our society that if  
they want wai to succeed they should kill every  
Nigerian from the age of three upwards: that  
will give the nation a fresh start."

— DENIS HERBSTEN

## 'Political System' Remains

(Continued From Previous Page)

strongly disagree with Brigadier  
Idagbon. They argue that Nige-  
ria's recurrent socio-political insta-  
bility and growing economic de-  
pression are the consequences of  
operating in an "ideological void."  
The end, they say, has so far been  
affected by the means — or lack of  
it.More outspoken than any group  
on this matter is the Left-leaning  
Academic Staff Union of Universi-  
ties (ASUU). In a series of lengthy  
statements published since this  
government came to power, ASUU  
has insisted that Nigeria's prob-  
lems derive from a "neo-colonial"  
political outlook and a "dependent  
capitalist economy."While the military government  
might have benignly ignored  
ASUU's repeated calls for radical  
socio-political and economic re-  
forms, it is showing increasing con-  
cern over radical elements within  
its own rank and file.Twice since the soldiers came to  
power six months ago, the army  
chief of staff, Major General Ibra-  
him Babangida, has publicly  
warned military officers that "this  
government will not tolerate undue  
radicalism."Thus, perhaps for the first time  
since the botched coup by the radi-  
cal majors in January 1966, radical-  
ism has become an issue in the  
Nigerian armed forces.Repeated claims that the Decem-  
ber 31 military coup was a strike to  
pre-empt a radical officers' power  
bid has equally repeatedly been de-  
nied by government spokesmen.Still, the earlier impression has  
persisted, occasionally enlivened  
by the private confession of fear by  
some key military men that if this  
government should fail, the alterna-  
tive would be a radical, presuma-  
bly leftist younger officers' take-  
over that would certainly not be a  
tea-party.Some analysts feel that this  
"fear" might have led the present  
government to introduce many  
tough, sometimes draconian mea-  
sures that may well meet with the  
approval of the so-called radical  
officers, but not the bulk of the  
civilian population.For instance, the controversial  
Decree Number 4 of 1984, which  
has already sent two senior journal-  
ists to prison for one year each, is  
believed by well-informed sources  
to be an attempt by the government  
to respond to the radical officers'  
displeasure with the Nigerianpress. Whether such displeasure is  
real or perceived is hard to tell. But  
observers point out that the "spe-  
cial tribunal" set up under decree  
to try journalists accused of "false  
publication" is made up of three  
young officers of major's rank, plus  
a civilian judge.But for the majority of Nigeri-  
ans, the concern is not limited to  
the divergent ideological postures  
of the present "moderate" military  
regime and the intellectual left.  
Rather it is a return to the search  
for a solution to Nigeria's cyclic  
political instability.As early as January this year,  
there were some wild, if not wide-  
spread, suggestions that the mili-  
tary should straighten things out  
quickly and get out soon — as soon  
as six months.Such calls might have ignored  
the nature of the Shagari stable,  
and the volume of housecleaning  
that the military embarked on. But  
there is little doubt that, the failure  
of the last democratic experiment  
notwithstanding, enlightened Ni-  
gerian opinion would like to see an  
early end not only to military rule  
but frequent military intervention  
in government.This was essentially the message  
that a high-powered delegation of  
Catholic bishops conveyed to Gen-  
eral Muhammad Buhari in a highly  
publicized visit in June. The clerics  
pointedly told the military that "it  
would not be in the lasting interests  
of our nation to confirm the im-  
pression that we cannot rule our-  
selves well through elected lead-  
ers."Many without political axes to  
grind identify with the bishops'  
stand that "the urgent task ahead is  
to prepare and identify a new breed  
of public-spirited and honest poli-  
ticians to whom we shall eventually  
entrust our nation..."For its part, the military govern-  
ment's leading spokesmen, mainly  
General Buhari and Brigadier  
Idagbon, have made it clear that  
the administration is too involved  
in the priority tasks of economic  
revitalization and "housecleaning"  
to give any thought now to the  
question of its civilian successors.If the state of the economy inher-  
ited from the toppled civilian gov-  
ernment is any guide, the govern-  
ment is unlikely to begin to give  
attention to political succession be-  
fore 1988, when former president  
Shehu Shagari would have com-  
pleted his second term.

Still, already there are glimmers

## CONTRIBUTORS

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International Herald Tribune, is a London-based author  
and journalist who writes about Africa.EDDIE IROH is the managing editor of *The Guardian*  
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Broadcasting Corp.ONYEMA UGOCHUKWU, a Nigerian journalist, is  
deputy editor of the London-based *West Africa* mag-  
azine.that the government, while not con-  
cerned with a political program yet,  
has given thought, albeit a fleeting  
one, to the nature of its civilian  
successors. Speaking recently on  
his fortnightly radio program,  
"Matters of the Moment," Brigadier  
Idagbon indicated that politi-  
cians convicted in the present trial  
of economic offenders would be  
barred from holding public office  
in future. Already nine of the 19  
former state governors as well as a  
number of former top public offi-  
cers have been convicted by special  
tribunals for "contributing to the  
economic adversity of Nigeria." They  
received sentences ranging  
from 10 years to 22 years in prison.  
More trials are going on.To the Catholic bishops and  
many others, such relatively "little  
merits" as a ban on economic con-  
victs represent a renewal of hope  
that, in the end, democratic politics  
will continue to be recognized as "a  
sacred duty of service to the peo-  
ple."For now, and perhaps a long  
time to come, however, the ruling  
Supreme Military Council has re-  
minded Nigerians about the pre-  
sent political reality."The federal military govern-  
ment," said a council member, Na-  
val Captain Ehin Uliwa, at a re-  
cent seminar, "does not pretend to  
be running a democratic system  
of government."

Checking sheet metal quality in Port Harcourt factory.

البحر  
البحر



## Stringent Economic Measures Adopted by New Government in the 1984 Budget

By Onyema Ugochukwu

LONDON—Even before it was made public on May 7, commentators had taken to describing Nigeria's delayed 1984 budget as the most important in the country's history. The deterioration of the economy under the civilian administration had been so extensive that by everyone's assessment, very radical action was needed to check the decline and put the economy on a path to recovery.

Even the usually complacent administration of Shagari had recognized this, belatedly perhaps, judging by the drastic changes proposed in the budget he presented two days before he was overthrown in a military coup. The military administration that succeeded him, since it gave the deterioration in the economy as one of its main reasons for intervening, was expected to go even further than he proposed, in order to bring about a quick restructuring of the economy.

The problems that the 1984 budget had to address were numerous, but all arising essentially from the decline of Nigeria into a one-commodity (oil) economy from the early 1970s. From 1974, oil exports started to account for over 90 percent of Nigeria's total foreign-exchange earnings, and up to 75 percent of all government revenues, providing the money for

ambitious public expenditure programs, which in turn provided the impetus for the unsustainable rapid expansion of activities in a highly import-oriented economy.

When oil revenue failed to accrue in the usual amounts following the glut in the world oil market from 1981, the Nigeria economy not surprisingly went into a steep decline, and the government's initial unwillingness to face the realities worsened the situation. By the end of 1983, foreign-exchange inflow had declined to about \$700 million a month, less than half the average for 1980. Foreign-exchange expenditure had also declined, but much more slowly, leaving the country with a backlog of trade payments estimated at between \$5 billion and \$6 billion.

Commitments entered into during the better years of 1981-82 had also kept government expenditures high, and in spite of its drastically reduced revenues, deficit financing had consequently increased sharply. And the effort to conserve foreign exchange through import restrictions had had a devastating effect on the domestic manufacturing industry, which depends on imported raw materials for up to 60 percent of input. Shortages of imported goods were widespread.

What needed to be done in the circumstances, had been the subject of protracted negotiations

from May 1980 with the International Monetary Fund, from which the country hoped to borrow up to \$3 billion over three years. Although the negotiations were still inconclusive by the end of 1983, the civilian government had proposed measures to achieve the IMF requirements. The military, having arrived in government, seemingly unprepared, adopted most of the measures proposed by the civilians, waiting until it would prepare its own budget. As early as January 3, the monetary policy guidelines, which lowered the margin by which banks could increase their lending as well as raise interest rates by two percentage points, was put into force, although it was earlier described as an interim policy.

Exchange controls were also tightened, and all imports were placed on license. The outlines of the budget were thus clear even before it was announced, but the measures still needed to be formulated into a comprehensive policy. In the event, the budget presented by General Mohammed Buhari was as stringent as had been expected. The government hoped through it to cut government expenditures, reduce imports, stimulate domestic agriculture, resuscitate and streamline local industry, stabilize prices and income and widen its revenue base. Given the economic situation, these objectives appear rather ambitious, but the government, preach-

ing sacrifice and self-reliance, seems determined to realize them.

Estimating its total revenue at 6,743 billion naira, the federal government budgeted total expenditures of 10 billion naira. Although the implied deficit, at 3,257 billion naira, is higher than that budgeted by the ousted civilian regime, it represents the more realistic assessment of Nigeria's financial situation and was accounted for by the fact that where the previous government had provided only 1.11 billion naira for serving the country's debts, the military government provided a more credible 2.89 billion naira. The government actually cut the recurrent expenditure budget of its predecessor by 15 percent, and it proposes to hold capital expenditures at a lower level.

The allocation of the capital budget reflects, in the main, the new priorities, with agriculture getting 21 percent (\$26.8 million naira) and industry 13.5 percent (\$23.3 million naira), although the allocation to defense of 359 million naira, after a recurrent budget allocation of 569.2 million naira (to be used mostly in paying salaries of Nigeria's armed forces), seems a bit more difficult to justify. Reflecting the commitment to complete the Abuja project in a more rational way, the plan was allocated 250.3 million naira, or 6.4 percent.

In a bid to increase agricultural production,

the government proposes to use the River Basin development authorities to expand extension services to small-scale farmers, who will also benefit from easier access to credits and higher produce prices. Large-scale farmers, including foreign investors, are to be encouraged with incentives, the most important of which is a proposed amendment of the Indigenization Decree, to allow foreign investors in large-scale agricultural projects to own up to 80 percent of the equity instead of the maximum 60 percent allowed in other sectors.

The measures for encouraging local industry, however, are less clear cut, involving a carrot-and-stick approach. Apart from wanting to see greater industrial production, the government also wants manufacturers to use local raw materials, instead of the imported ones that currently account for a large part of the country's total imports. It also wants to widen its revenue base. While manufacturers are to be favored in the granting of import licenses for raw materials and spare parts, a ceiling has been imposed on how much may be imported each month. In addition, excise duty is to be charged on 400 items manufactured locally, instead of 68 previously excisable, and duties on raw material imports were generally increased.

In spite of the realism shown, the budget

appears to have been overly optimistic in its view of the foreign-exchange position. The government estimates total foreign-exchange earnings at some 8,796 billion naira, out of which 2.5 billion naira will be used to service external debts and 796 million naira put in reserves, leaving 5.5 billion naira for imports of goods and services. The 5.5 billion naira seems to be a gross underestimation of what is needed, judging by the level of imports during the first three months of 1984, which suggests a minimum of 7.5 billion naira. But the government is reluctant to borrow the additional 2 billion naira and appears to have given up hopes of being able to borrow from the IMF, with which it still disagrees on the issues of a devaluation, trade liberalization and cut in petroleum subsidy. Instead, it has been urging Nigerians to make more sacrifices for self-reliance, which in some ways may look like flogging the proverbial willing horse to death.

While the decision by OPEC at its recent meeting to increase Nigeria's oil production quota may improve the foreign-exchange situation, giving the government more room for maneuver, it seems inevitable that the government will have to face up to finding the money to finance a substantial balance of payments deficit.

## The Tortuous, Sometimes Contentious Route Toward Financial 'Respectability'

Special to the IHT

LONDON—Nigeria's offer in July of delayed repayment of trade debts to its insured creditors is the latest twist in the government's tortuous and often contentious route toward "financial respectability"—with or without the International Monetary Fund's seal of approval.

In the last two years there has been animated debate inside and outside Nigeria on who was to blame for allowing Nigeria's finances to slip out of control and on the best means of stabilizing a potentially disastrous situation. The financial crisis not only played a large part in the downfall of Shagari's civilian regime but has also had repercussions abroad—with exporters of the industrialized world in the forefront. Governments and multinational companies have been dragged into the debate but it has been left to the merchant banks of European and North American capitals to assess the problem and to provide guidance to both sides.

On the one side, the "triad" of international banks, S.G. Warburg, Lazard Frères and Kuhn Loeb, Lehman Brothers, provides advice to the Nigerian government, advice that has led to a \$2-billion refinancing in 1983 and a much larger offer to trade creditors in recent months. On the other side, stand those banks that finance projects and trade for their customers in Western Europe and North America, most prominently represented by names like Barclays, Bankers Trust and Chase Manhattan, whose collective opinion is vitally important to Nigeria's standing in the world of finance.

In recent months, the pressure has been mounting on Nigeria to conclude its much-discussed deal with the IMF—to which the major sticking-point has been the IMF's demand for a substantial devaluation of the naira. Putting itself in the forefront of this lobby has been the British merchant bank, Morgan Grenfell, which in March this year challenged the quality of the offer to creditors and seems set to continue playing an assertive role in assessing Nigeria's financial credibility.

At a business leaders' conference

on Nigeria held in London in July, Morgan Grenfell's assistant director, Philip Curry, spelled out the message bluntly. A deal with the IMF is necessary, he said, if Nigeria is to get the "certificate of respectability" it needs to continue normal trading.

Mr. Curry's words were music to the ears of the corporate directors present who feel that without the IMF medicine Nigeria will inevitably revert to the "bad old ways" of financial indiscipline.

So far, however, Morgan Grenfell has gone unheeded in Lagos, where it had already become unpopular enough with its tough negotiating advice to creditors like Unilever earlier this year. The bank was roundly pelted by the Federal Ministry of Finance announcement in May that it had taken away its mandate to raise finance for the new federal capital at Abuja—a mandate that has now passed to Samuel Montagu, another influential British merchant bank, albeit relatively inexperienced on Nigeria.

In the early 1980s, Morgan Grenfell had been among the most bullish banks on Nigeria and itself lead-managed project loans for the country in excess of \$1 billion. It may be some time before it finds itself repeating the experience.

With the problem of IMF "conditionality" still a major stumbling block for Nigeria's Supreme Military Council and financial managers, there is a critical need for the country to maintain its financial credibility in the meantime. So far this year the performance has been remarkably good, in terms of current trade payments, debt servicing and stemming the foreign-exchange hemorrhage that has traditionally occurred through smuggling and trafficking. A fillip was provided by the OPEC concession on July 11, increasing the country's oil production ceiling by 100,000 barrels a day, which, if extended over a year, will yield an additional \$1 billion of revenue.

By dint of necessity Nigeria has already undertaken—with the vital help of the "triad"—some of the most complex financial arrangements seen anywhere in the world. At the London offices of Chase Manhattan, tens of thou-

sands of creditors' claims are being matched by computer against the information provided by Nigerian importers gathered in Lagos—a process that will lead to the issue of at least \$4 billion of promissory notes in the coming weeks.

The international debate on Nigeria's finances is likely to escalate the longer the country keeps the IMF at arm's length, and the divisions of opinion among the banks

may become more pronounced—but some observers feel that the tide may soon begin to turn against the standard IMF demand for devaluations in all the countries that seek its assistance.

Although Nigeria is not a big debtor in international terms, its membership of the Organisation of Petroleum Exporting Countries

and the size of its internal market give it an authority and importance that cannot be ignored.

Bankers sympathetic to Nigeria's case have already come to terms with a scenario by which the country will impose its own austerity measures and enforce them with as much determination as the IMF might demand, including a downward adjustment of the exchange

rate of the naira that would amount to "creeping devaluation."

Much depends on the continuous application of consistent austerity, and in this process the role of the Ministry of Finance permanent secretary, Alhaji Abubakar Alhaji, is currently seen as important. He knows the international financial institutions extremely well.

He succeeded in bringing Nige-

ria's case to the personal attention of the IMF's managing director, Jacques de Larosiere, in June, and although subsequently the IMF proposals were insufficient for a loan, the prospects of further progress between the two sides have not yet faded.

The crucial battle that Nigeria now has to fight is how to bypass

the demands of export credit agencies that an IMF deal be reached before they will settle for a new Nigerian repayment offer. Nigeria has now shown its hand by last week's unorthodox direct approach to individual assured creditors. But the ingenious formula being worked out by the "triad" may well get accepted through the persuasive powers of Abubakar Alhaji.

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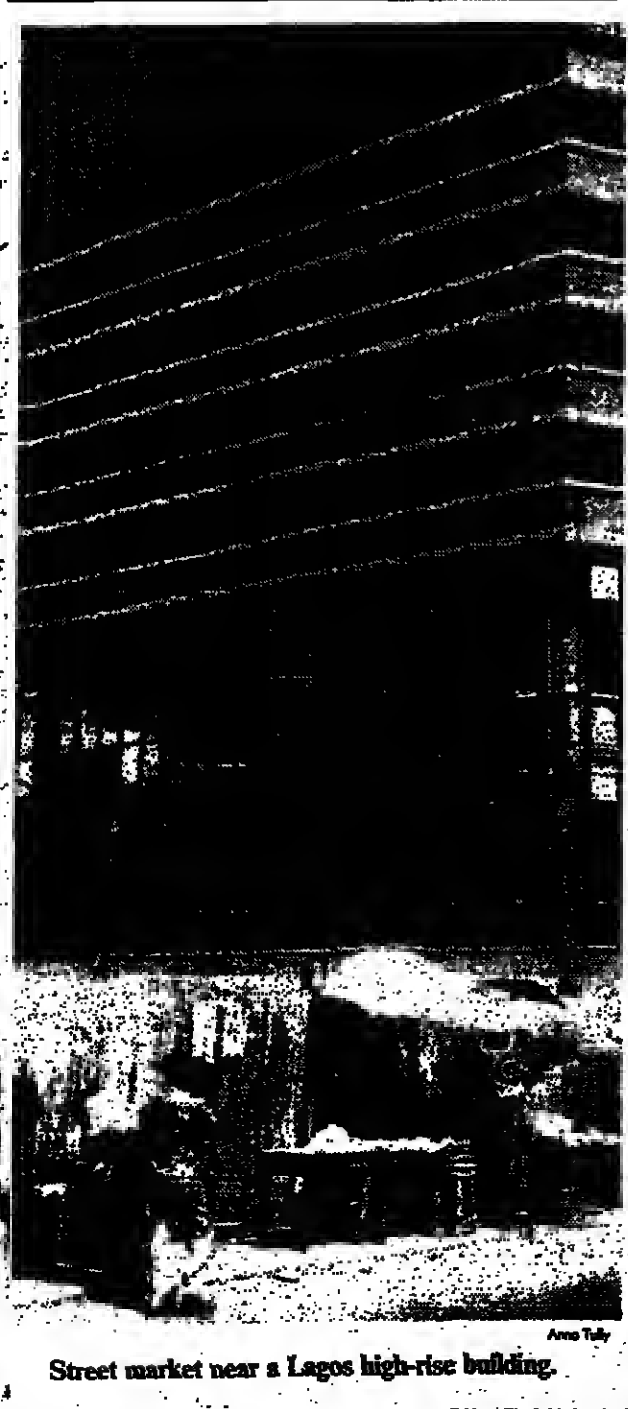
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## A SPECIAL REPORT ON NIGERIA

NIGERIA OIL PRODUCTION  
AND NET GOVERNMENT REVENUE

	Production (Million Barrels a Day)	Revenue (Millions of Dollars)
1980	2,066	23,405
1981	1,442	16,713
1982	1,292	13,086
1983	1,243	10,162
1984		
January	1,360	951
February	1,563	1,051
March	1,460	1,036
April	1,300	945
May	1,200	892
June	1,250	904
July	1,250	934
August*	1,400	1,062
September*	1,450	1,069
Fourth Quarter*	1,450	3,277
YEAR TOTAL*		12,121

\* Estimated forecasts.

Note: Net government revenues calculated from prevailing official selling prices and posted prices. Inland and local consumption assumed to be 200,000 barrels a day in 1980, 220,000 barrels a day in 1981 and 240,000 barrels a day subsequently, dropping to 150,000 barrels a day from April 1984 following moves to check illegal exports.

Source: Martin Quinslan/Petroleum Economist.

## Oil Boom Income Remains

(Continued From Page 7)

capacity — two newish 100,000 barrels-a-day plants at Warri and Kaduna and 60,000 barrels a day at Port Harcourt — the Nigerian National Petroleum Corporation was having crude refined on contract outside Nigeria. In the 1983 fourth quarter, 145,000 barrels a day was refined externally; this was cut to 110,000 barrels a day in the first quarter of this year, and as from April was cut again to only 45,000 barrels a day. The implication is that at least 100,000 barrels a day was being diverted to supply neighboring — and even not-so-neighboring — countries, and that a true measure of Nigeria's own oil needs, previously put at 250,000 to 300,000 barrels a day currently, would be nearer 150,000 barrels a day.

Two important implications follow. First, since OPEC's production ceilings apply only to production and do not take account of inland consumption, liftings and sales could be stepped up by 100,000 barrels a day or so. (As an extra bonus, any export sales of refined products that NNPC is now able to negotiate will be in addition to the OPEC ceiling, as OPEC's rough-and-ready rules do not take account of refined products, only crude.) Second, it seems clear that Nigeria's existing refining capacity will be sufficient to cover national

needs for some years to come. Previously, NNPC had been evaluating the construction of a new plant with a capacity of 150,000 barrels a day, which was seen mainly as serving the domestic market.

While the government can look forward to a moderate increase in revenue, the oil companies that produce Nigeria's oil are facing less encouraging prospects. In the late 1960s and early 1970s, Nigeria's oil had big attractions for, particularly, the U.S.-based refiners — it was more readily accessible than Gulf crudes, it gave a good yield of gasoline, and it was low in sulphur. The companies invested heavily in Nigeria, and production built up to reach a record 2.3 million barrels-a-day average throughout 1979.

But in the climate of the 1980s Nigerian crude has lost some of its former attraction. The oil companies now have substantial production from non-OPEC sources such as the North Sea, where costs are high but — because of favorable taxation — profits are fatter. Also, they have been investing heavily in catalytic crackers at their refineries, to achieve good gasoline yields from heavier — which means cheaper — crudes. And plummeting freight rates have taken the edge off of Nigeria's proximity advantage compared to oil loaded in the Gulf.

The oil companies' heavy invest-

ments in Nigeria — Shell, Gulf, Mobil, Elf, Agip-Phillips and Texaco-Socal all have equity interests in joint-ventures with the government's Nigerian National Petroleum Corporation — are therefore considerably underutilized. Fields and pipelines, with a capacity to flow a peak of 2.4 million barrels a day, have been operated at little more than half capacity for more than three years.

Despite Nigeria's financial difficulties, there has been progress of late with two major foreign exchange projects in the hydrocarbons sector. First, the government informed Shell that the scaled-down liquefied natural gas export project that it tentatively agreed with the civilian rulers is to be speeded up. (There could be difficulties, however, as the Nigerian LNG will be costly and the gas market in West Europe seems comfortably supplied with cheaper pipeline deliveries.)

Second, the government let Foster Wheeler know that it is committed to bringing a huge petrochemicals complex — described as Africa's most important industrial project — on stream by 1990. Foster Wheeler, consultants to NNPC for the project for some 10 years, said money has been allocated toward the complex in the current financial year — necessary if the start-up target is to be met.

## The British Stake in Rescheduling Nigerian Debt

LONDON — The British Export Credit Guarantee Department, already suffering from debt crises in Latin America and Eastern Europe, will go even deeper into the red if a rescheduling agreement with Nigeria is not reached.

British exporters covered by the department for short-term debt arrears (up to six months) could make claims estimated at nearly £500, its French equivalent, COFACE, is thought to be owed at least £300 million, while Italian, Swiss, West German, Japanese and many other guarantee bodies also face large claims from exporters who have not been paid by Nigerian customers.

The credit organizations are constantly consulting with one another on the latest developments in Nigeria, acting, in effect, as a cartel. They are insisting that negotiations take place on a multilateral basis, thus reducing the chance of individual credit organizations' breaking ranks. But Britain, with the largest amount of money owed, is at the heart of the solution. Others will follow its lead.

So when last week Lagos made a direct approach to insured creditors, the ECGD was taken by surprise. The department has advised policy holders to neither accept nor

reject the offer until the various credit organizations agree on a joint strategy. But the department's initial reaction was that the offer — a six-year promissory note, a 30-month grace period — was unacceptable with the rate of 1 percent over Libor, the London interbank offered rate, deemed "stingy," even though it was backdated to January 1, 1984. The creditors have until the end of September to respond — enough time for a large-scale breaking of ranks.

Before Nigeria made its moribund offer, the credit agencies had worked out their own scenario, which remains their policy. The rescheduling of these guaranteed debts will be negotiated at the Paris Club, under the chairmanship of the French Treasury minister and according to rules laid down by the Organization for Economic Cooperation and Development, whose member countries dominate trade with Nigeria. But the Paris Club will negotiate only if there is linkage with an IMF loan. The credit guarantee agencies want Nigeria to agree to this loan in a letter of intent before the rescheduling meeting is held. And the terms of the rescheduling would come into operation only after the IMF agreement had been reached.

If agreement is reached, bank loans will be made by individual countries to the Central Bank of Nigeria to cover the period of the moratorium. In Britain, Barclays International has already set up a syndicate to cover the medium-term loan.

Lacking an agreement, however, the credit organizations, acting in unison, want of a further tightening of short-term credits. This could be serious for Nigeria, which, though cutting back heavily on imports, has budgeted for continuing investment in some key industries for which exporters in industrialized countries supply machinery and parts.

The total amount of this short-term debt is a matter for conjecture. Chase Manhattan in London claims to have identified \$8.5 billion of arrears through 1983. The merchant bank S. G. Warburg, financial adviser to the Lagos government, has put the figure at close to \$5 billion, about three-fifths of which is claims by uninsured creditors, which have been settled on terms similar to those just offered to insured creditors. The rest is claims for officially insured exports.

In January, only weeks after the coup in Lagos, the ECGD sent let-

ters to 1,500 exporters inquiring whether they had been paid. Insured amounts usually range from \$20,000 to \$50,000, made up of raw materials, semi-manufactures and consumer goods. Not all the exporters replied, some no doubt because they feared their credit would be cut off altogether and others because the one-year period since default had not yet elapsed. (The normal period of six months was extended to a year when the Shagari government instituted a clampdown on imports in 1982).

Policyholders must not disclose that they are insured; as an ECGD booklet points out, "It is undesirable that the buyer should know that his supplier will be largely unharmed by any lack of diligence or good faith on his part."

The ECGD has gone into the red for the first time since 1954, when it took a bad knock in Brazil. Now Western countries and Japan are having to reschedule some very large debts — Poland, Turkey, Iran, Mexico — so cash flow is down. Some \$850 million of British debts alone are held up in central banks around the world.

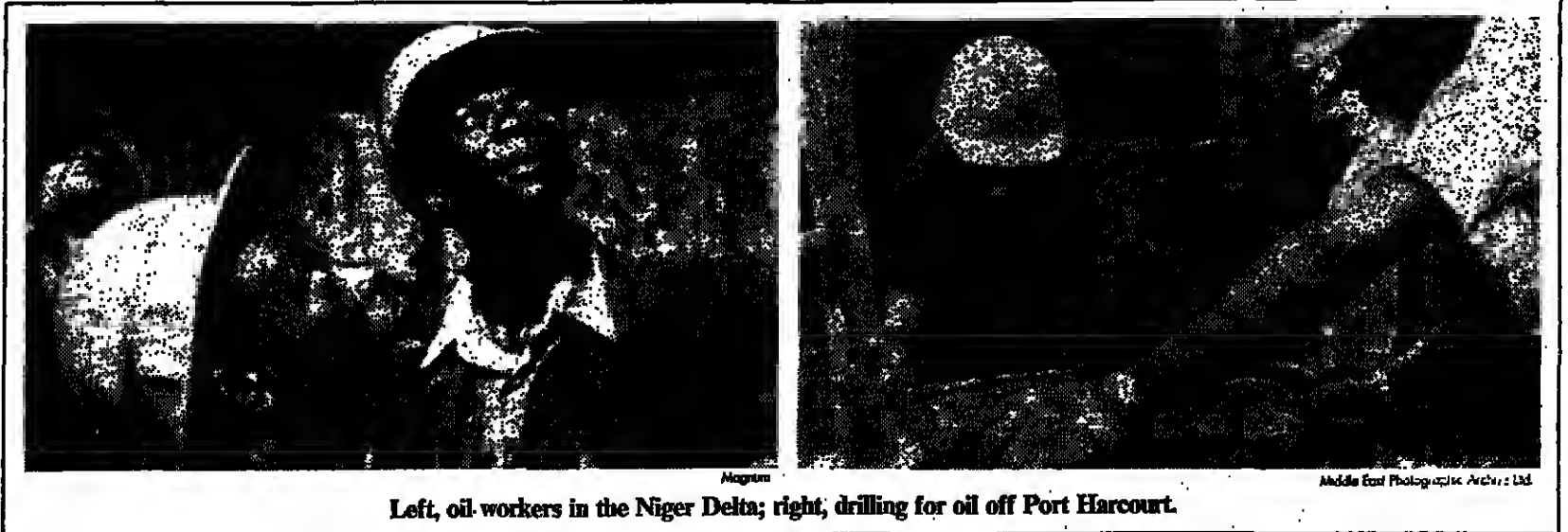
So that the ECGD, which operated in the black in all but two of the 64 years since it was founded, recently had to borrow money from

the Bank of England's consolidated fund in order to pay out claimants. The money is borrowed at commercial rates of interest. The level of claims for many parts of the world is likely to rise for several years and the ECGD is not expected to go back into the black before the end of the decade.

Until recently, Nigeria had been keeping up the repayments on medium-term contracts, which are the major capital projects, though not all are paid on time. Because of the arrears, however, Nigeria is now in the fourth or "D" category of risk countries, and exporters to it must pay the highest premiums.

Nigeria is also in danger of slipping back into the third category of countries, classified as "relatively poor," after a transitional spell in the second grouping. These categories relate to "consensus interest rates" — the rate at which commercial banks will lend money for medium-term project business that is guaranteed by an official export guarantee agency. The ECGD guarantees the loan by the bank to the buyer (usually a country or a Nigerian state) at an agreed rate, and makes up the difference between the commercial and the consensus rate.

— DENIS HERBSTEN



Left, oil workers in the Niger Delta; right, drilling for oil off Port Harcourt.

## Government Begins to 'Clean Up' Trade Sector

(Continued From Page 7)

prices, since with the severely restricted money supply traders were forced to sell goods at much lower markups. But inflation still remains the government's toughest problem as far as most Nigerians are con-

cerned. Immediately after last December's coup soldiers made sporadic efforts to force down prices by direct action in the marketplace. Such actions were routinely condemned by the Supreme Military Council. Since then each state has introduced a list of controlled prices, which government officials attempt to enforce with varying degrees of success.

For example, in Niger state any trader selling bread above the controlled price is arrested and then fined on the spot, but in Lagos when traders were ordered to sell packets of detergent for 60 kobo, they emptied out the packets into plastic bags and then sold the same quantity for two naira.

Despite repeated verbal attacks on the middlemen, profiteers have tackled this group relatively tactfully. When military governments in Ghana and Liberia tried to cut prices by force, the commercial class went underground and virtually paralyzed the official distribution system. According to the second highest official in the government, Chief of Staff Brigadier Timide Idigbon, the federal government's strategy is to encourage the use of other distribution networks — through the state governments, the trade unions and the consumer co-operatives. For some time most government employees have been able to buy essential commodities in bulk at controlled prices.

Nigeria's commercial classes have hit back at such proposals, saying that in reality it just adds more links to the distribution chain. The government has also encouraged the major trading houses and manufacturers in the country to start direct sales to the public. G.B. Ollivant, a division of the United Africa Company, which is partly owned by Unilever, and the A.G. Leventis trading house have regularly held sales of rice and other commodities at the government-controlled price — which can be less than a fifth of the current market price.

While some manufacturers have also started direct sales to the public, others have complained that it is an unnecessary burden on their resources yielding no extra revenue. One expatriate director of a manufacturing company based in the north said, "We can all see that middlemen have made unwarranted profits in Nigeria and support any efforts to rationalize the unwieldy chain of so-called distributors between producer and consumer, but while we are producing at less than 30 percent of our installed capacity our main problem will continue to be supply, and the traders here are very quick to take advantage of the shortfall in supply."

Supply of commodities — particularly rice — continues to be one of the most contentious issues in the country. Many of the allegations against the fugitive former minister of transport, Umaru Dikko, concern his role as chairman of the presidential task force on rice importation. Some bankers in Lagos allege that certain politicians and government officials were earning more than \$1 million a day from commodity importation.

The government has tried to control these sorts of abuses by strictly

limiting the issue of import licenses, whereas, for example, previously individuals who had no connection with automobile companies were given licenses to import thousands of motor vehicles.

Most of the large trading houses say that since January the issuance procedure has been more equitable, with mainly the big recognized importers and distributors getting licenses.

The general level of imports into Nigeria is down by about half from last year's figures so far, and all imports are licensed, although the government's budget did not actually prohibit many more imports. The importation of small passenger cars has not been prohibited, but Nigeria's car assemblers say that no one has been granted licenses to import cars because preference is given to the needs of Nigeria's own car industry.

Very few luxury goods are now being imported legitimately, and as a result some of Nigeria's smugglers would appear to have gone upmarket now that foreign exchange is costing them so much to buy. After the government tightened up on various foreign-exchange disbursements through the Central Bank, the smugglers were forced to buy most of their foreign

exchange from the currency dealers, who, despite the currency exchange, will change a naira for between a third to quarter of its official value.

The currency racket is reflected in the spiraling prices for smuggled goods. In the last two years smuggled cigarettes have increased from \$1.30 a pack to \$3.50 a pack while smuggled liquor has gone up from \$10 a bottle to around \$25. The financial director of the United Africa Company estimated that revenue from smuggling could account for up to about a fifth of the country's annual gross domestic product.

But many manufacturers say the squeeze on foreign exchange together with the closure of the borders since late April this year have cut smuggling significantly. The battery manufacturers in Kano say that smuggled batteries now only account for about 20 percent of the Nigerian market, compared to about 50 percent just over a year ago.

Another effect of the continued squeeze on foreign exchange has been that more consideration is given to projects earning foreign exchange. Some enthusiastic Nigerians, encouraged by the success of industry in places like Kenya and

Mauritius, suggest that Nigeria's infant tourist industry could be a substantial foreign currency earner. But cynics refer to the old joke about the American who arrives in Lagos airport and says to the immigration officer, "I am a tourist." The officer laconically replies, "I can see that, but what are you doing in Nigeria?"

Certainly the historical riches of cities like Kano and the wilderness of the Yankari game reserve would have attractions for the unconventional tourist. But as yet there are very few commercialized beach areas in Nigeria that are likely to succeed in attracting the bulk of French and German tourists away from the beaches of Togo and Gambia.

But anticipating an increase in the number of business visitors at least, there has been a boom in hotel building. Three big hotel groups, including the Noga Hilton and Sheraton, have luxury hotel projects under way in Lagos, while two other luxury hotel groups are each building 300-room extensions. And there are three luxury international hotels under construction at Abuja, the new federal capital, and several other states, like far-flung Gongola in the northeast of the country, are building luxury hotels.

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## A SPECIAL REPORT ON NIGERIA

## The Questions on Unit Trusts Proposals

By Dennis O. Odife

LAGOS—News of proposals to establish the first unit trusts in Nigeria, 25 years after the establishment of the Lagos stock exchange, raises a number of fundamental questions. Why does Nigeria need unit trusts? What will unit trusts look like in Nigeria? Why has it taken so long to set up unit trusts in Nigeria? What are the likely problems and advantages and what role will the stock exchange and the capital market play in the process?

Established in 1959, the exchange received support in its formative years from the Central Bank and the Nigerian Industrial Development Bank.

The NIDB was established to promote new companies that would sell their shares on the stock exchange when they become profitable. As it turned out, the NIDB probably found that it depended greatly on the income from its successful investments to cushion the impact of losses from its less successful ones, and hence it has not pursued the policy of selling off its holdings in successful companies.

The government itself appears to be more committed to the idea of spreading the ownership of securities than in fostering a viable and independent capital market.

Partly as a result, and also partly from the reluctance of both indigenous and foreign businesses in Nigeria to use the stock market for raising capital, the number of securities quoted thereon remained small.

The market started with four securities in 1961. The number of quoted securities rose to 13 in 1970 and to 22 by 1972. It rose rapidly from 35 in 1977 to 93 in 1982 largely as a result of the Nigerian Enterprises Promotion Decrees of 1972 and 1977. These restricted the proportion of the ownership of Nigerian companies that foreigners could own, and several companies were directed to sell their shares to the public in a process that has not endeared the Nigerian capital market to them. The prices at which the shares were sold were determined by a federal government agency now styled the Securities and Exchange Commission.

The SEC disputes the claim that it deliberately set out to underprice securities, but it is known that

in a growth situation, its past performance-oriented formula was more likely to underprice than to overprice. Moreover, it had to rely on the profits reported by the companies themselves for tax purposes and the level of voluntary compliance for tax purposes in Nigeria has never been very high.

Today, there are 93 quoted equity securities in Nigeria, 22 industrial bonds, 4 preference shares, 59 government stocks and one state bond. In terms of value, government stocks represent more than 60 percent of the market capitalization of about 5.2 billion naira in 1984.

The structure of the holdings of the quoted equity securities is also instructive. A recent stock exchange publication reveals that 42 percent are held by foreign investors, 15 percent by Nigerian governments, 8 percent by Nigerian institutional investors and 35 percent by individual shareholders. Understandably, therefore, the volume of trading on the stock exchange is low (now 200 million to 300 million naira a year).

Official policy discourages speculation, just as the delivery system makes it impracticable. It takes at least three months to conclude a transaction starting from placing an order with the stockbroker to receiving the share certificate. Stockbroking is reserved exclusively for Nigerians. There are 16 stockbroking firms.

Why has it taken so long for unit trusts to develop in Nigeria? The pattern of the development of the Nigerian capital market has resulted in a system dominated by the government and the banking sector. Total banking system credit to the economy at the end of 1983 stood at 27 billion naira, of which the government sector took up nearly 56 percent. The bulk of the growth in the stock market has resulted from the indigenization decrees. Before then there was hardly a capital market worth writing about.

When the idea of establishing unit trusts in Nigeria was first considered by the federal government during indigenization it was as a joint venture with the International Finance Corporation, an affiliate of the World Bank. It was also hoped that a national unit trust program could take up any shares not subscribed by the public during

indigenization. It is understood that the idea was discarded, after extensive studies, on the grounds that there were not enough securities. Moreover, the capital market was able to absorb substantially all of the shares and the need to "warehouse" them in a unit trust never really arose.

Establishment of unit trusts has become attractive again, however, because it is now felt that there are adequate securities in the market. The official positions not clear. The SEC appears to take the view that unit trusts are not to be encouraged to the same extent as investment trusts because unit trusts do not create new securities. Such a point of view implies a misunderstanding of the nature of unit trusts.

Unit trusts are legal vehicles established to enable many small investors to pool their assets to enjoy the benefits of diversification and professional management without impairing the liquidity and safety of their investment. Because they are open-ended, unit trusts have the potential to create infinitely more securities than investment trust companies.

There are a number of problems to be resolved before Nigeria can adopt unit trusts. When Nigeria became independent in 1960, most of its laws were adapted versions of British acts. The Nigerian Companies Act of 1968 is essentially the British Companies Act of 1937. Section 393 of the act empowers the minister for commerce to license unit trusts. In Britain the framework for achieving this was set out in the Prevention of Fraud and Investments Act of 1958; unfortunately, when Nigeria became independent this act was not among those adopted. Hence there is no framework for the establishment and operation of unit trusts in Nigeria.

Indeed, not only is the framework missing, it is not clear who is to do what. For example, the SEC Act of 1979 empowers the SEC to approve the terms of any issue and to license unit trust managers. The Banking Amendment Act of 1979 includes management of unit trusts among functions to be performed by merchant banks. The Ministry of Commerce, on the other hand, feels that the licensing of unit trusts should be done by the Ministry of Finance. It is unlikely that Nigeria

will see any unit trusts until these issues are satisfactorily resolved.

The first step must be a framework for the establishment and operation of unit trusts to ensure investor protection, uniformity of disclosure and evaluation of performance. The British pattern of self-regulation is unlikely to be adequate and Nigeria will probably have to adapt the British Prevention of Fraud Investments Act of 1958, the U.S. Trust Indenture Act of 1939, the Investment Advisers Act of 1940 and the Investment Companies Act of 1940. The draft guidelines for the operation of the SEC in Nigeria cover a lot of ground in this area but are not approved by the government. The sooner the authorities act on this the better.

Other issues that must be resolved before unit trusts take off in Nigeria include their investment policy, the taxation of their income and capital gains, and who will invest in them.

As the laws stand in Nigeria, unit trusts will have a very restrictive investment policy. Their assets must be invested (except with the approval of the Joint Tax Board) in accordance with the Trustee Investment Act of 1962. This means at least 50 to 66 percent of the assets of the unit trust must be held in government securities now yielding 7 to 10.5 percent. In addition all securities must be invested in Nigeria.

The Exchange Control Act of 1962 precludes investment by foreigners in Nigerian unit trusts, and the NEP Acts restrict those who may invest in the units and what investments the unit trust can hold depending on who the unit holders or the managers are.

With regards to taxation, investment income in Nigeria is under a withholding tax at the rate of 12.5 percent for dividends and 45 percent for interest. Unless the unit trust has Joint Tax Board approval, its income will suffer from double taxation, which will reduce its attractiveness to investors.

It is also doubtful if, in the light of the low volume of trading on the Nigerian Stock Exchange, unit trusts will be able to invest the permitted proportions of their income in equities. Government securities will be no problem, as large quantities of these are available at all times.



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## Pressing for Workable Bankruptcy Law

LONDON — As the number of chronic debtors in Nigeria's business community grows apace, the country's bankers are pressing for a bankruptcy law that works. "Without it," says the president of the Nigerian Institute of Bankers, Aladiji S.A.O. Sule, "we have lower standards of commercial morality."

Mr. Sule said he was optimistic that the military government would act soon, "as they are keen to enforce discipline in our society."

There is a bankruptcy law on the books, issued as a decree in 1979. It is almost an exact replica of the British law enacted in 1914, with minor amendments. But one major difference has rendered the Nigerian version unworkable. The decree states that the official receiver should be the registrar of companies or his assistant.

The receiver is the person who handles bankruptcy proceedings under the supervision of the court. He must take over the bankrupt's property, see to its administration, pay off creditors and occasionally arrange for the bankrupt to be legally discharged and rehabilitated.

In Britain, official receivers are appointed from the ranks of independent solicitors or accountants, as government officials cannot find the time — or, in some cases, lack the expertise — to deal with the more complicated bankruptcies.

No outsider may do the job in Nigeria. Whether the bankruptcy is a multimillion-naira trading house or a market woman (the minimum debt must be 2,000 naira), all have to be dealt with by the registrar. The alternative would have to be for the commissioner (or minister) of commerce and industry to appoint a receiver in each individual case. So the law remains a dead letter.

To make the law workable, Mr. Sule said, the government must amend the decree to allow any competent person to be appointed an official receiver. After that, a special insolvency court would have to be set up.

Mr. Sule, who is managing director of the Nigeria Arab Bank, said the banking institute's 25 or so members, as well as the large trading houses, were "very volatile" on the matter. They are worried about mounting bad debts, especially as the recession worsens.

"Banking is still very profitable," Mr. Sule said, "but our profits for 1983 are down in real terms. There is also a backlog of foreign money coming in, but that will soon dry up. 1984 threatens to be a tough year."

As bankers see it, a bankruptcy law would add greater certainty to their provisions for bad debts. At the moment, they can refuse further credit or sue in the courts, a messy and time-consuming procedure that offers little prospect of recovering much of the money owed.

Though it is mandatory under the Banking Act for bank auditors to send a list of written-off accounts to the Central Bank of Nigeria, there is nothing legally to stop a wayward debtor from incurring debts elsewhere.

A new law would help counter this, Mr. Sule said. "If a man is declared bankrupt, it harms his standing in the community, his name appears in the papers, it is a warning to others to be more careful and more honest in their business dealings."

He said a distinction should be drawn, however, between debtors who were unable to settle through no fault of their own — because of delayed foreign exchange or a slow payer in another transaction — and those who refused to pay or had no prospect of being able to do so. It is in the latter cases, Mr. Sule said, that it would be better to write off the debts and have the person declared bankrupt.

"Very often we differ with our auditors over what is a bad debt," he noted. "We know our customers better than they do. Should we write off 50 percent of the debt or 100 percent? Some conservative auditors say, 'Let's write it all off and if it comes back next year that will be a bonus.' But a struggling bank will be less inclined to write off bad debts than a profitable one. You struggle to make 5 million naira and you don't want to be too realistic about reducing the profit by 4 million naira in bad debts."

Another area that bankers would like to see improved is the use of checks. Check-bouncing has become a scourge of Nigerian society, and again there is a law that has not been applied. The Dishonoured Cheques (Offences) Decree of 1977 is, in the words of Femi Adegbenro, head of the inspectorate division of the Savannah Bank, "in the cooler."

"People continue to issue dud checks with such reckless abandon," he says, "that everybody has lost confidence in the use of checks as a mode of payment." That is a distinct disadvantage in a time when, with the shortage of new naira notes since the currency change-over, workers are often paid in high piles of old, dirty 50-kobo notes (100 kobo equal one naira). It is an open invitation to thieves.

Mr. Adegbenro wants the Supreme Military Council to order entities such as the power authority, the post and telegraph office, Nigeria Airways and the federal and state governments to accept checks from companies and individuals. He would require all payments above 500 naira to be made by check and all companies would be compelled to accept them. The plan would have a dramatic effect on pilfering of cash by officials, though it would not solve the problem of bad checks.

— DENIS HERBSTEN

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## A SPECIAL REPORT ON NIGERIA

## Lagos Diary

*'Items like milk, sugar, coffee are disappearing from the shops and teabags are harder to find than beer. The naira is overvalued, and with police and military roadblocks becoming a way of life, things are not as free and easy as before.'*

By Denis Hebrstein

LAGOS — If there is any doubt that the good times are over, just pass an evening at the Kano club, where British and other expatriates play golf and 19th-hole alongside the locals.

Many have lived in the north for decades, expecting to see their time out in Nigeria. But now import license problems and the extreme shortage of raw materials, coupled with the slowdown or termination of so many construction projects, are turning business life into a graveyard.

More and more European men are without their wives, having sent their families back to the Continent.

Ordinary items like milk, sugar, coffee are disappearing from the shops and teabags are harder to find than beer. Sugar wholesales to the trader at 25 naira a 50-kilo bag, only to be sold in the market at 10 naira a kilo. And whisky has gone from six to 25 naira a bottle. The naira is overvalued, and with police and military roadblocks becoming a way of life, things are not as free and easy as before.

But, my interlocutor across a table of empty glasses said, the "most savage blow" has been the halving of hard-currency remittances allowed to expatriates. Few companies can make up the difference offshore. Now it is really difficult to maintain a home in Nigeria and in Europe. Small wonder that the number of Britons in the country has dropped by half to 6,000, and that the French and the Italians, and the Indian schoolteachers are leaving in droves. The remittance reduction, the golf captain said, will sort the true lovers of Nigeria from the "softies."

The United Africa Company, the very essence of British commercial life, will have lost half its 140 Britons by the end of the year. So in a country of nearly 90 million, the former colonial power will be minutely represented. That compares with the 50,000 French in the Ivory Coast, with a population of only a few million. But then who can blame Nigeria for not wanting to allow 110 percent repatriation of foreign company profits?

One good thing about the exodus is the effect on rents. These days, instead of having to pay three years in advance, you can even rent on a monthly basis. A three- to four-bedroom house on Ikoyi or Victoria Island, the most desirable addresses in the capital, cost 3,800 naira a month at the official rate. Last year it might have been 5,000 naira.

Elsewhere, life is easier for the occasional visitor — and that, one has to admit, because it is getting yet tougher for the Nigerians. Taxi drivers invariably declined my locally priced asking rate. Clamoring past clerks and market women, I tried to raise some empathy by proclaiming that "I'm a white Nigerian." And hotels now actually hang up a notice at reception saying "we have rooms and

would be happy to give you one." Fewer power cuts, no special queues for alhajjis or chiefs at the airport, a discipline brought on by the austere military and the decline in the economy.

Spare a thought though for two men who have done their professional duty and yet find themselves in prison. Tunde Thompson and Ndoka Imabor, of Nigeria's young but already flagship newspaper, The Guardian, are in prison for a year for predicting — among other things — who the London high commissioner was going to be. It is widely believed that the man they named was not appointed because of that publicity, so that the alternative, General Halim Hamani, ironically became the scapegoat for the expulsion following the kidnapping attempt in London of Umaru Dikko, the former minister of transport.

Ironically, because the sentences meted out to The Guardian journalists under Decree Four were severely criticized by the Nigerian press. But just in time, Mr. Dikko came along to restore unity to the irate medium. I know we journalists are always feeling sorry for ourselves, but these two fellows now live in a cell with 15 political prisoners in Kirihi, Lagos. And the decree was passed after the commission of their "offense."

I should have thought that if the military leaders wanted to root out corruption and inefficiency they needed all the help the press could give them.

Departure from Kano International Airport these days is a nerve-racking interlude. First, the checkpoint on the way from town. The soldier, much the worse for drink, seized on a fruit knife belonging to a young British aid worker whom I was giving a lift. Bought in the Sudan, it had accompanied him in and out of Nigeria several times. The soldier was hanging on firmly with the arm that held the knife as he waded through my bag with the other free limb. I said "receipt please," but he pretended not to understand. We insisted, and in the end, ungraciously, it was restored to its rightful owner.

Inside the airport the graft has gone. But now police, customs, immigration, security people lay down quite a gamut. The man ahead of me at the last body/bag search had batteries removed from his torch and matches from his pocket, presumably for reasons of security. A seersucker Japanese businessman almost missed the plane trying to regain two company checks. An American was reprimanded for declaring five naira notes when he had eight (you may take out 20).

For the first time in my life, my wallet was searched. The security man read the introductory letter from this newspaper asking that the reporter be rendered "whatever assistance he needs to carry out his work." Is this going to stop currency smuggling? I doubt it.

## Agriculture Declines Despite Advances in Yields

DAMBATTA — When Mallam Hashim first adopted improved agricultural techniques on his eight hectares (19.7 acres) in northern Kano his fellow villagers asked him why he had given his farm away to the state. "Now they can see with their own eyes that my crops are growing so much better than theirs," he said, "they want me to write their name in the book."

The "book" is the statewide agricultural development project launched in Kano at the beginning of 1982. Since then, there have been some promising, even dramatic, improvements in crop yields in farms selected to demonstrate advances in the use of seeds, sprays, fertilizers and planting methods.

Following the decline of oil revenue, agriculture has been pushed even more to center stage by the military officials in Lagos. Before them, with the slogans, "Operation Feed Yourself" and "The Green Revolution," other rulers had attempted to avert the folly of a nation of 80 million putting all its eggs into the oil basket.

But now the figures tell the sorry story. In the early 1970s, agriculture made up 80 percent of export earnings; today, it is down to 2 percent. The sector's share of the gross domestic product fell in the same period from 45 percent to 22 percent. Yet, four persons out of five still depend on the land for their livelihood, and food imports — \$228 million worth in 1971 — mainly cereals, sugar, milk and live animals, are nearly \$3 billion in 1982.

But the concern of the government is not simply to reduce as much as possible the present food import bill of more than \$3 billion; it is to get people back to the land, and, most important, to improve crop yields, as well as the quality of rural life. In short, it is to make the farmer a person to be respected in Nigerian society once again.

The Agricultural Development Projects (ADPs) is a smallholders' plan worked out between state governments

and the World Bank. While the projects still have a long way to go, the experiments in two states, Bani and Kano, provide grounds for optimism. Now, with ADPs about to be launched in eight southern states, the World Bank operation will cover the whole country, (except for Lagos State) amounting to two-thirds of Nigeria's cultivable land.

The unique aspect of the Kano project is that it is run entirely by a foreign company, Masdar of Wokingham, England. On January 1, 1982, the state department of agriculture's 2,000 employees overnight found themselves working for Masdar — and by all accounts will be pleased to do so for some time. But the date for the conclusion of the Masdar contract and the start of the payment of the World Bank's \$142-million loan is set for January 1987. By then, the 42 expatriates and the scores of Nigerian extension officers hope to have turned 430,000 conservative farmers into highly motivated progressive food producers.

To spread the gospel in the Dambatta zone of the state, extension officers have begun with a village demonstration program, concentrating on 15 farmers in each of 440 villages. Kabiru Ali, Dambatta's deputy chief agricultural coordinator explains, "We show the villagers improved high yield varieties of the main crops — millet, sorghum, cowpeas, groundnuts — as well as improved management, like closer planting, thinning, insecticides, top dressing."

Thus, farmers do not like seed-bed fertilization, because it goes against the grain to put it on empty land. They like to see something come up first. But they are now impressed to see the difference between sorghum and millet, which at the half-way stage are two fists higher than the non-seed-bed fertilized plants.

The biggest breakthrough has been with cowpeas, the legume known in the West as black-eyed Susan. Its center of origin, the place where it was first discovered, is in a belt of savannah running through Kano State. The British ignored

the cowpea and subsidized the groundnut. But the cowpea is high in protein, making a change from the cereal-dominated diet. The villagers make a breakfast cake from cowpea called kossay.

Kabiru Ali said: "Cowpea cultivation has been revolutionized by a new spraying device, the electrodyn, which has no moving parts, and as no water is needed, can be hand-held and no longer has to be carried on the back, as was the old pesticide. It sprays accurately, and is cheaper to the farmer. He pays 100 naira for the sprayer at the KASCO (state-run) shop in central villages, and the pesticide costs about 80 naira a hectare."

"Whereas before farmers' yields were no more than 300 kilos a hectare, with the new spray they are up to 1,500 kilos. Cowpeas earn them 1,000 naira a ton. The other leg of the cowpea revolution was an early crop variety of seed developed at the Ahmadu Bello University's institute for agricultural research."

In the case of cereals and groundnuts, Kano farmers are shown methods of intercropping — growing different crops in adjoining strips, a procedure that has contributed to noticeable yield improvements.

This year, the Kano project has taken on rice. Mike Bullen of Masdar explains the potential: "Rice cultivation is hard work, but herbicides can reduce weeding considerably. This country is not even getting one ton a hectare, yet our tests have yielded 5 tons. If we can get it up to an average of two and a half tons, then they don't have to import rice."

Nigeria buys some 600,000 tons of rice — from Thailand and Pakistan — at a cost of about \$150 million. There is a serious debate within the Supreme Military Council about reducing, even eliminating, rice imports.

— DENIS HEBRSTEIN

## As Time Presses, a Call for Revamping Industry

LAGOS — The decision of the executive director of the Manufacturers Association of Nigeria, U.A. Eleazu, to quit his organization this year and join a consortium to process industrial chemicals is a fair indication of the state of the Nigerian industry. "I have grown tired," Mr. Eleazu said just before his resignation. "Of telling people that unless Nigeria's industries are restructured according to available local resources, the sector will go from crisis to crisis. We have to act now."

Just as Mr. Eleazu followed his own advice — his company in eastern Nigeria will process a number of much-needed chemical compounds for industry — several other leading firms in Nigeria are planning similar projects to provide their own raw materials.

The chairman of the Nigerian associate of Lever Brothers, Michael Omolayole, said his company is now working out arrangements with a merchant bank to develop raw materials by reactivating some run-down oil palm plantations. "Local plantations could supply three-quarters of the country's vegetable oil needs if properly run," Mr. Omolayole told journalists recently.

Two major food processors, Cadbury and Nestlé, are planning large-scale maize cultivation projects to provide maize starch, glucose and associated products. There is a huge demand for maize byproducts from Nigerian industry, which present yields cannot satisfy. The pharmaceutical industry will require 500,000 kilograms of maize starch next year merely to hold production at its current low level.

The last few years of import controls and increasing restrictions on foreign exchange seemed to have brought about a rethinking among manufacturers in Nigeria. "I don't think there is a company in Nigeria," said the Nigerian managing director of a Lagos-based company, "that hasn't thoroughly replanned both its production and marketing

strategy from the shop floor upward. Although the government has no choice but to ration foreign exchange available to industries, one hopes we may see the end of the bogus manufacturing companies set up on the back of the oil boom. The danger is that the level of austerity is such that some well-managed and efficient companies may go down with them."

There are signs that several efficient small-scale Nigerian companies with no access to foreign-exchange credits through associated companies overseas will not last the year out. And as the bigger established companies seek to diversify their operations, bankers in Lagos predict there will be a spate of mergers and takeovers and that generally Nigeria's rather dull capital market is due to get a lot livelier.

Deprived of the lucrative commissions on foreign exchange business, banks in Nigeria are looking for new areas of operation. For example, the Chase Merchant Bank, the local affiliate of Chase Manhattan, has just established a venture capital company to fund local resource based industrial enterprises for a period of up to 10 years after which time the industries would be expected to raise funds through the Nigerian stock exchange. Apart from this, a number of merchant banks are currently arranging finances for agro-allied industrial projects, two of which are backed by major oil companies in Nigeria who want to diversify their investments in the country.

While bankers favor the large-scale maize-growing projects, other agro-allied industrial projects are finding it harder to get funding. Tunde Oshimide, company secretary of Arewa Textiles, owned by a Japanese and Nigerian consortium, said the company is so short of raw cotton to spin, they are now considering investing in cotton production. "But it's becoming hard to get farmers interested in cotton when they can earn much more growing maize, which

is less labor-intensive," he said. "Somehow the textile industry has to provide the incentive to Nigerian farmers to grow more cotton. We obviously can't import all our import needs, but at present local production only satisfies about 20 percent of the demands of the industry."

So far, Arewa Textiles has not had to retrench any of its workers although in the last two years production levels at the Kaduna factory have fallen from 80 percent to just over 30 percent. "We have lost nearly a thousand of our workers through natural wastage and as we are running short of spare parts we are cannibalizing old machinery to keep the newer looms going," he said.

The positive side to the foreign-exchange squeeze is that local raw materials processors are getting orders from companies that previously had not known of their existence. The Nigerian Institute for Social and Economic Research (NISER) found that 700,000 tons of Zircon sand suitable for the foundry industry were being dumped in central Nigeria while companies elsewhere in the country were still importing thousands of tons of the sand.

While such industries as textiles, leather and rubber products as well as the agro-allied and food processing industries could take a significant amount of their raw materials from local sources, makers of soaps, detergents, pharmaceuticals, machinery, electrical and automotive products are likely to be heavily import-dependent for several years yet.

A local industrialist, Gamaliel Onosode, is a fervent supporter of long-term planning and has recently chaired a committee reviewing major ongoing projects in the country. "We need long-term planning to convince people that we can't industrialize overnight, but that our development must be coordinated according to available resources," he said.

— PATRICK SMITH



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# International Bond Prices - Week of Aug. 2

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financial Credit Sales-First Boston  
Prices may vary according to market conditions and other factors.

## RECENT ISSUES

Am	Security	%	Mat	Yld	Mod	Yld	Mod	Yld	Mod
100	100	100	100	100	100	100	100	100	100

## STRAIGHT BONDS All Currencies Except DM

Am	Security	%	Mat	Yld	Mod	Yld	Mod	Yld	Mod
100	100	100	100	100	100	100	100	100	100

Am	Security	%	Mat	Yld	Mod	Yld	Mod	Yld	Mod
100	100	100	100	100	100	100	100	100	100

Am	Security	%	Mat	Yld	Mod	Yld	Mod	Yld	Mod
100	100	100	100	100	100	100	100	100	100

Am	Security	%	Mat	Yld	Mod	Yld	Mod	Yld	Mod
100	100	100	100	100	100	100	100	100	100

Am	Security	%	Mat	Yld	Mod	Yld	Mod	Yld	Mod
100	100	100	100	100	100	100	100	100	100

Am	Security	%	Mat	Yld	Mod	Yld	Mod	Yld	Mod
100	100	100	100	100	100	100	100	100	100

## DM STRAIGHT BONDS

Am	Security	%	Mat	Yld	Mod	Yld	Mod	Yld	Mod
100	100	100	100	100	100	100	100	100	100

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Prices may vary according to market conditions and other factors.

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**For the Week Ending Aug. 3, 1984**

Option & price	Calls	Puts	Option & price	Calls	Puts	Option & price	Calls	Puts	Option & price	Calls	Puts	Option & price	Calls	Puts	Option & price	Calls	Puts
20th	25	1-14	r	44th	25	5/4	14	14	40th	25	1/4	40th	25	1/4	40th	25	1/4
21st	25	1-14	r	45th	25	1/4	14	14	41th	25	1/4	41th	25	1/4	41th	25	1/4
22nd	25	1-14	r	46th	25	1/4	14	14	42th	25	1/4	42th	25	1/4	42th	25	1/4
23rd	25	1-14	r	47th	25	1/4	14	14	43th	25	1/4	43th	25	1/4	43th	25	1/4
24th	25	1-14	r	48th	25	1/4	14	14	44th	25	1/4	44th	25	1/4	44th	25	1/4
25th	25	1-14	r	49th	25	1/4	14	14	45th	25	1/4	45th	25	1/4	45th	25	1/4
26th	25	1-14	r	50th	25	1/4	14	14	46th	25	1/4	46th	25	1/4	46th	25	1/4
27th	25	1-14	r	51th	25	1/4	14	14	47th	25	1/4	47th	25	1/4	47th	25	1/4
28th	25	1-14	r	52th	25	1/4	14	14	48th	25	1/4	48th	25	1/4	48th	25	1/4
29th	25	1-14	r	53th	25	1/4	14	14	49th	25	1/4	49th	25	1/4	49th	25	1/4
30th	25	1-14	r	54th	25	1/4	14	14	50th	25	1/4	50th	25	1/4	50th	25	1/4
31st	25	1-14	r	55th	25	1/4	14	14	51th	25	1/4	51th	25	1/4	51th	25	1/4
32nd	25	1-14	r	56th	25	1/4	14	14	52th	25	1/4	52th	25	1/4	52th	25	1/4
33rd	25	1-14	r	57th	25	1/4	14	14	53th	25	1/4	53th	25	1/4	53th	25	1/4
34th	25	1-14	r	58th	25	1/4	14	14	54th	25	1/4	54th	25	1/4	54th	25	1/4
35th	25	1-14	r	59th	25	1/4	14	14	55th	25	1/4	55th	25	1/4	55th	25	1/4
36th	25	1-14	r	60th	25	1/4	14	14	56th	25	1/4	56th	25	1/4	56th	25	1/4
37th	25	1-14	r	61th	25	1/4	14	14	57th	25	1/4	57th	25	1/4	57th	25	1/4
38th	25	1-14	r	62th	25	1/4	14	14	58th	25	1/4	58th	25	1/4	58th	25	1/4
39th	25	1-14	r	63th	25	1/4	14	14	59th	25	1/4	59th	25	1/4	59th	25	1/4
40th	25	1-14	r	64th	25	1/4	14	14	60th	25	1/4	60th	25	1/4	60th	25	1/4
41st	25	1-14	r	65th	25	1/4	14	14	61th	25	1/4	61th	25	1/4	61th	25	1/4
42nd	25	1-14	r	66th	25	1/4	14	14	62th	25	1/4	62th	25	1/4	62th	25	1/4
43rd	25	1-14	r	67th	25	1/4	14	14	63th	25	1/4	63th	25	1/4	63th	25	1/4
44th	25	1-14	r	68th	25	1/4	14	14	64th	25	1/4	64th	25	1/4	64th	25	1/4
45th	25	1-14	r	69th	25	1/4	14	14	65th	25	1/4	65th	25	1/4	65th	25	1/4
46th	25	1-14	r	70th	25	1/4	14	14	66th	25	1/4	66th	25	1/4	66th	25	1/4
47th	25	1-14	r	71th	25	1/4	14	14	67th	25	1/4	67th	25	1/4	67th	25	1/4
48th	25	1-1															

**Closing Prices Aug. 3, 1934**

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interest rate in a recent drop from 10 to 8 percent.

The reports, which reached the bank in the early third night, that Mark Happe was making financial deals with Communist agents in the Balkans.

The charges, said months before, which marked the start of a period known as Mark Happe's "dark days" were uncorroborated.

It was said a criminal charge filed against him.

The government then charged the bank with practices law broke's warning such government.

Mark Happe, Mirza's bank's co-president.

The reports, decided to drop in their entirety, the bank of the bank refused to them because of their vagueness.

But then a sharp short-cut from the bank state a credit in the foreign exchange of the bank's internal rate.

All from 1944 to 1946, but

	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353
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عبد الرحمن الرحيم



## NEW EUROBOND ISSUES

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price end week	Terms
<b>FLOATING RATE NOTES</b>							
Banque Paribas	\$150	perpt	3%	100	—	99.95	Over mean of bid and offered rates for 3-month Eurodollars. Callable at par each year starting in 1987. \$150 million issued now and \$50 million reserved for later. Commissions 0.75%.
Citicorp Overseas Finance Capital	\$250	1996	—	100	—	99.70	Coupon set weekly at mean of bid and offered rates for 3-month Eurodollars. Minimum coupon 5.42%. Callable at par after 1986. Commissions 0.50%.
Kingdom of Denmark	\$200	1999	—	100	—	99.45	Coupon set weekly at mean of bid and offered rates for 6-month Eurodollars, or of the offered rate for one week Eurodollars, whichever is higher. Callable at par after 1987. Commissions 0.75%.
Manufacturers Hanover	\$150	1996	—	100	—	99.62	Coupon set weekly at mean of bid and offered rates for 6-month Eurodollars. Minimum coupon 5.42%. Callable at par after 1986. Commissions 0.50%.
Lloyds Eurofinance	\$150	1996	3%	100	—	99.62	Over 3-month Libor. Minimum coupon 5%. Callable at par in 1989. Floating fund operating in last 5 years will produce a 10-yr average 8% increase from 100 million pounds. Commissions 1.20%.
<b>FIXED-COUPON</b>							
C. Itoh	\$60	1989	13%	101 1/4	13 1/4	100.13	Noncallable.
Gram Finance	\$100	1989	13%	100	13%	100.25	Callable at par after 1988.
Nippon Telegraph & Telephone	\$100	1991	12 1/4	99 1/4	12 1/4	99.13	Noncallable.
Investors in Industry	ECU60	1989	11	100	11	97.88	Noncallable. Increased from 50 million ECU.
Primary Industrial Bank of Australia	ECU40	1993	11 1/4	100	11 1/4	98.13	Noncallable.
<b>EQUITY-LINKED</b>							
Toshiba Ceramics	\$30	1994	open	100	—	99.00	Coupon indexed at 105%. First callable at 102% in 1987 and redeemable at 105% in 1989. Convertible at an anticipated 5% premium. Terms to be set Aug. 7.

## Eurobonds Rally but Fears Remain

(Continued from Page 17) percent on an equivalent basis. A Japanese government guarantee backs up the \$100 million of seven-year, 12 1/4-percent bonds from Nippon Telegraph & Telephone Corp. The issue ended the week at about 98.875, to yield 13 percent, compared with 12.58 percent on similarly dated U.S. Treasury paper.

The market for European currency unit bonds, glutted of late, remained subdued. The nine-year, 11 1/4-percent issue from Primary Industrial Bank of Australia dipped to about 98.125, for a yield of 11.60 percent. That compares with Friday's yield of 11.58 percent in the recent five-year ECU bonds from Investors in Industry, the British lender to small business.

Into the dollar floating-rate note market, parched recently, poured a 750-million deluge of new paper.

Three of the four new issues — Citicorp, Manufacturers Hanover Corp. and Denmark — carried the novel feature of weekly rate fixings instead of the standard twice-yearly adjustment.

Issuing houses hail this formula as a clever means of letting the buyer borrow on a weekly basis in the interbank market and receive interest on a three- or six-month basis.

Usually, interest rates rise as the term lengthens. On Friday, for instance, one-week Eurodollar funds were quoted at about 11 1/2 percent, while six-month funds were being offered at 12 percent.

The investor, of course, does not pocket all of the difference. The cost of financing the noteholding on a weekly basis erodes perhaps a third of the gap, one banker estimates.

Moreover, the credit markets occasionally go awry — as they did in 1980 and 1981 — and yank the cost of one-week funds over that of longer terms. That would spell losses for the noteholder borrowing on a weekly basis and receiving interest at a three- or six-month rate.

To guard against that threat, the Denmark issue calls for weekly fixings at either a six-month or a one-week rate, whichever is higher.

Bankers involved in the new note issues say demand is particularly strong from smaller European banks and from banks and other financial institutions in Japan and Southeast Asia. Some rival bankers contend that the ovel notes are selling slowly. The complexity of financing noteholdings on a weekly basis does not appeal to many potential buyers, these bankers argue.

## U.K. Struggles to Measure Strike Cost

(Continued from Page 17) lution at one of its five integrated works, primarily because it was unable to bring in iron ore and coal by normal routes.

Various other costs to the government arising from the strike, including social security payments,

the loss of income tax and national insurance surcharge payments, posing the strike and losses to British Rail as trucks take over coal transport, amount to \$13 million a week, according to Mr. Skeoch.

The strike has also lowered projections for the British economy.

Some analysts, assuming the strike will last until the end of September, have lowered projections of real gross domestic product for 1984 about five-tenths of 1 percent from previous estimates. GDP is the total value of goods and services, excluding income from investments abroad.

Britain's balance of trade on current accounts will suffer the equivalent of between \$589.5 million and \$1.44 billion, analysts predict, primarily because of the increased use of oil in power plants. Some of the oil is imported and the rest comes from North Sea production that would otherwise have been exported.

But analysts continue to predict the government will remain within its 1984 borrowing target of around \$9.5 billion and they say that there is no measurable inflationary impact so far.

Private industry has been largely unaffected.

The cement industry, one of the largest private users of coal in Britain, says it was not feeling the strike to any great degree. A spokesman for Blue Circle Industries, one of Britain's three major cement companies, said the coal board had been able to continue supplying the company's coal needs, and stockpiles are averaging about seven to eight weeks.

## Japan Sees Little Gain in IBM-EC Pact

By Andrew Pollack  
New York Times Service

TOKYO — The biggest winner from the European Community's antitrust action against International Business Machines Corp. was the Japanese computer industry. Since a settlement was announced last Thursday, however, there have been no victory celebrations here.

Some analysts and executives say the agreement will slightly help the Japanese industry. Others say it will slightly hurt the Japanese industry, or have no effect whatsoever.

But virtually no one says the Japanese will reap a great advantage in their war with IBM. Nor will the

European manufacturers gain much, for that matter.

IBM agreed in negotiations with the EC's executive commission to provide technical information about its computers sooner and in more detail. In the past, makers of devices to attach to IBM machines in Europe had to wait until the U.S. company shipped its product before making their own machines.

This process took up to two years and gave IBM a big advantage over European computer companies. But experts here contend that IBM has escaped from its latest legal challenge virtually unscathed. While the company has made a promise to release more information about its products to help its competitors, the early reading is

that the information is not that significant.

"IBM is only releasing the superficial part," said Shigenori Matsushita, chief engineer of the information systems business group of Toshiba Corp. Receiving such information, he said, "saves time and saves effort, but it is not a mandatory factor for us."

An official of one major computer manufacturer here, who spoke on the condition that he and his company not be identified, was even more blunt. "The European Commission got nothing," he said. "It's nothing for anybody other than IBM."

IBM argued in negotiations with the commission that disclosing information on its products earlier

## Prices Rise on Interest Rate Hopes

By Michael Quint  
New York Times Service

NEW YORK — U.S. credit markets have extended their rally, dominated by the belief that interest rates will decline further.

For the fourth straight day, prices rose and yields fell for Treasury notes and bonds on Friday. Some of the day's heaviest activity was in the note market, where Wall Street sources identified the World Bank as a buyer of an ex-

isting in advance of this week's Treasury auctions totaling \$16.75 billion.

"A lot of people are afraid of missing the rally and are buying before the auctions," one securities dealer said. "A tremendous amount of securities have left dealer hands over the past two weeks."

Leonard I. Hess, an executive vice president at Gruntal & Co., said: "The change in psychology has been profound, and the belief that inflation will stay low is spreading."

Like many other analysts who expect the decline in rates to continue, Mr. Hess said the combination of weaker business-credit demands and slower economic growth will soon lead to a downturn in short-term interest rates.

So far, short-term rates have not shared in the declines in the long-term sector, largely because the overnight rate for bank loans in the federal funds market has increased gradually to about 11 1/2 percent. The 10.6-percent rate on six-month Treasury bills is also up a tenth of a percentage point in the past week and nearly a quarter of a percentage point since July 6. Thirty-year bond yields, meanwhile, have declined more than a quarter of a percentage point in the past week

and by more than a percentage point since July 6.

Employment data helped lift note and bond prices at the opening Friday, as traders concluded that the rise in unemployment to 7.5 percent pointed toward a less robust economy.

The Federal Reserve announced late Friday that business loans outstanding at large weekly reporting banks across the country, excluding bankers' acceptances, rose by a meager \$57 million to \$240.32 billion. After rising by about \$21 billion between Jan. 11 and July 4, business loans at large banks have increased by only \$546 million in the past three weeks.

The optimistic tone to the Treasury market has spread to the corporate sector, where declining rates and strong investor demand have led many corporate treasurers to dust off their long-dormant plans to sell notes and bonds. Among Friday's new financings were a \$455-million sale of zero-coupon bonds due from 1985 through 2009 by Allied Corp. The bonds were sold at various prices and yields through underwriters led by Salomon Brothers.

Other new issues Friday included \$100 million of Archer-Daniels-Midland Co. 13-percent debentures offered by Salomon Brothers at a price of 97.241 to yield 13.375 percent; \$150 million of General Motors Acceptance Corp. 12 1/2-percent notes due in 1988 offered by Morgan Stanley & Co. at a price of 99.73 to yield 12.71 percent; and \$50 million of Household Finance Corp. 12 1/2-percent notes due in 1989 offered by Goldman, Sachs & Co. at a price of 100.

would benefit Japanese computer companies because they are now the main suppliers of computers and peripheral equipment that are compatible with IBM machines.

The main makers of IBM-compatible computers are Fujitsu Ltd. and Hitachi Ltd., both of Japan, and Amdahl Corp. of the United States, which is 49-percent owned by Fujitsu.

But analysts in Japan say the reference was a ploy by IBM to capitalize on anti-Japanese feeling in both the U.S. and European industries.

It also appears that the final settlement considerably narrowed the scope of information that IBM is required to give out. The accord further stipulates that IBM will only give the information concerned to companies that are "directly engaged" in research and development, manufacturing or marketing in EC nations. That could exclude Fujitsu and Hitachi, which make their mainframe products in Japan and have them marketed by others in Europe.

The agreement between the EC and IBM will not have any effect on Fujitsu's business, a spokesman for the Japanese company said.

Some analysts said the agreement could actually hurt the Japanese computer companies by making the European companies stronger and less reliant on Japanese products.

Also, in order to obtain information from IBM, Japanese companies would have to give the company the same information in return, making the agreement a "two-edged sword," according to Tuzio Kimura, a computer-industry analyst with Yamauchi Securities.

The most significant part of the settlement, some analysts and executives said, was the agreement by IBM to release certain information on its Systems Network Architecture, its plan for linking various computers and office machines together. The networking system has become a standard, and many companies have sought to use it in their computers so the machines can be sold to offices with IBM mainframes. IBM's agreement to release such information will make that easier.

But it could also aid IBM. Many European manufacturers, as well as Fujitsu in Japan, had backed another networking standard as an alternative to IBM's. IBM has also given some signs of support for the alternative standard, but by announcing that it will provide more information on its own system it could undermine the support for the alternative.

## Jacobs Plans Disney Fight

New York Times Service

NEW YORK — Irwin L. Jacobs, a Minneapolis businessman, has filed papers with the Securities and Exchange Commission preparatory to a proxy fight to replace Walt Disney Production Inc.'s board.

Mr. Jacobs, who heads an investor group with 6.3 percent of Disney, said Friday that he would drop his plans to remove management if directors abandon their plan to buy Gibson Greetings Inc., the third-largest U.S. greetings card company, for more than \$300 million. The transaction would dilute Mr. Jacobs's stake in the company.

A Disney spokesman said Friday, however, that the company is going ahead with the purchase. Mr. Jacobs told the SEC that he would attempt to join with other major investors so that they could take advantage of a California law permitting holders of 10 percent to call a special meeting.

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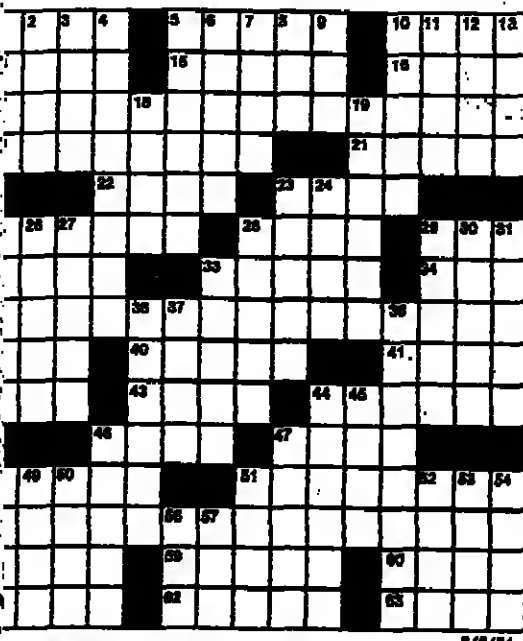
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**ACROSS**

46 Took a train  
47 Sped  
48 Gielgud or Guinness  
51 First and second, e.g.  
55 Pertaining to P. D. Stanhope  
58 Loathe  
59 Elevators, in  
60 A Best  
61 Seasons in  
62 Atlas section  
63 Harvest

**DOWN**

1 "Behold!" to Brutus  
2 Periods  
3 Timberwolf  
4 Illegal pitch  
5 Force  
6 Ancient Rome's port  
7 Certain union  
8 Ump's companion on a gridiron  
9 Dog talk, in comics  
10 Type of butter  
11 Of 12 Down: Comb. form  
12 Planet or war god  
13 In addition

18 A city light  
19 Absorb, in a way  
23 Opera features  
24 So be it  
25 Bandleader Shaw  
26 He wrote "Peg Woffington"  
27 Type of fever  
28 Carrots  
29 Household-closet material  
30 Cave, in poetry  
31 Stupely  
33 Blazing  
36 Exertion  
37 Felted  
38 Produce  
44 Swift's "A Proposal"  
45 Seed covering  
46 Pasadena parade feature  
47 Commonplace  
48 Tooth malady  
49 Friendly conversation  
50 Spot for a képi  
51 Switch positions  
52 —do—camp  
53 Actress Turner  
54 Cinch  
56 New Haven student  
57 —do—Tin Tin

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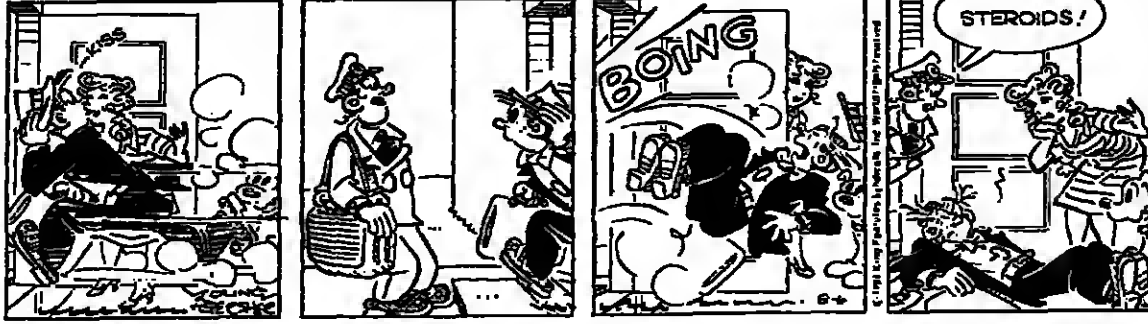
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BOOKS

TOUGH GUYS DON'T DANCE

By Norman Mailer. 229 pp. \$16.95.  
Random House, 201 East 50th St.,  
New York, N.Y. 10022.

Reviewed by  
Christopher Lehmann-Haupt

"NOT until now have I been ready to confess that I am a writer," says Timothy Madden on page 11 of "Tough Guys Don't Dance," as if the reader might still be wondering who and what this protagonist of Norman Mailer's eighth and latest novel (including "The Executioner's Song") could possibly be.

But the reader is not wondering. One side effect of Mailer's having treated his nonfiction self so often as if he were the hero of a novel, is that a reader is now inclined to regard his fictional heroes as if they were none other than Mailer.

So what if Tim Madden is presented as the son of an Irish father and a half-Protestant, half-Jewish mother. So what if he has been in his time an amateur boxer, a chauffeur, a bartender and a prison inmate (for dealing cocaine). We know, we know: he is, as a familiar disclaimer assures us, a product of the author's imagination. Nonetheless, we read him as a stand-in for his creator to a degree that we do with few other American writers.

In a way, this rescues "Tough Guys Don't Dance" from total catastrophe. I don't think that under any other circumstances would we be willing to tolerate some of the excesses of this better-sketcher tale of a man who wakes up one gray November morning in Provincetown, Massachusetts, to find a hanger in his head, a tattoo on his arm, blood all over the passenger seat of his Porsche and blankets covering much of his memory of the previous evening. We wouldn't put up with a plot whose suspense depends on the most suddenly and arbitrarily clearing from Madden's mind.

We wouldn't abide the awesome concatenation of coincidences, which are excused by the narrator with little more than fig-leaf phrases like, "If it strains belief," "well, I can hardly believe it myself" or, "How implausible this sounds, but, do you know?" and so forth. We especially wouldn't put up with the sudden almost mystical intuitions that guide Tim Madden past so much that threatens him.

But this is a world in which unique but familiar Mailerian laws obtain — a world of

telepathy and ego duels, of seances and spirits, of overpowering odors and debilitating psychic drags, of angelic visions and the Devil's fundaments. It is the world that Mailer first brought powerfully to life in his novel "An American Dream," to which the present work is a first cousin if not a younger sibling — a world of sexual strut and violence inflicted on women, of phallic challenge and panicky fear of the void.

In it we encounter for at least the dozenth time the author's disdain for processed food, his contempt for plastic, his belief "that a man becomes a cop to be shielded from his own criminality," his theory that cancer is an objective correlative for psychic damage. We even re-encounter such favorite Mailer sayings as "Revenge is a dish which people of taste eat cold" and André Gide's "Do not understand me too quickly."

And, as usual, Mailer's characters keep busily warding off what Tim Madden, citing Freud, refers to as unruly attacks of homosexual panic. They climb phallic towers and boast of their prowess in bed. They cut up women with everything from orgasms in machines. Yet paradoxically, homosexuals are granted license to be heroic, though few of those in the book end up anything but dead, presumably because they try to dodge their fates. (Tough guys don't dance.)

"I think about faggots and you know what I believe?" muses Tim Madden's father, very much the story's superego. "For half of them, it's brave. For the wimps, it takes more guts to be queer than not. For the wimps. Otherwise they marry some little mouse who's too timid to be a dyke and they both become psychoneurotic and raise whiz kids to play electronic games. Turn queer, I say, if you're a wimp. Have a coming-out party. It's the others I condemn. The ones who ought to be men but couldn't show the movie. You were supposed to be a man, Tim. You came from me. You had advantages."

Did I enjoy "Tough Guys Don't Dance"? On top of the faults I've already hinted at — its implausibility and strutting out of too familiar strategies and obsessions — one could knock it for being rushed, repetitious, all too nearly an unintended parody of itself.

And yet it has that charming Mailer bravado about it, a willingness to risk being foolish just for the sake of feeling alive. It is as if the author had taken to heart his hero's injunction to avoid "the stupefaction of those who never dare to come near to themselves." As Tim Madden says while struggling with his compulsion to elude the Provincetown Monument: "All I knew was that I must climb it. If I did not make the attempt, something worse than panic might befall me. Maybe I learned nothing else from those old seizures of terror in the middle of the night when I used to sit bolt upright in bed, hot, at least, I gained (could I term it that?) some small measure of compassion for all who are afflicted by the compulsion to go out and do what is absolutely not to be done — whether it is the seduction of little boys or the rape of adolescent girls."

In Mailer's case, his compulsion seems to have been to perpetrate a potboiler. One is happy merely to consider that by doing so, he has avoided whatever worse thing he believes might have befallen him had he not done so.

Christopher Lehmann-Haupt is on the staff of The New York Times.

BRIDGE

By Alan Truscott

ON the diagrammed deal South landed as shown in four spades after East had bid both red suits and West had raised hearts. The three-diamond bid by East served a lead-directing purpose, and his partner obliged by leading that suit. When East won, he shifted to a heart and South had to make the crucial guess. Had East underbid the heart ace? Eventually he misguessed by putting up the king and was down one. There would have been much to be said for this play if

dummy had not held the heart ten. Then South could reason that East would hesitate to lead from the queen.

As it was, there were conflicting indications. East's three-diamond bid seemed strong, but West needed some high-card strength for his raise. The diamond position was clear, with West marked with the queen. East had considered a falsecard of the ace but feared he would confuse his partner. A subtle clue came from putting up the king. With queens in both red suits, West might have led a heart. With the heart ace he would prefer a diamond

Solution to Friday's Puzzle

CHASM	AMISS
SHILTE	RADIOS
CHERRY	STONEGLAM
RIMES	SEMI KOLA
ELIS	SUMAC MID
SOS	SNAPS TRONA
THESTAGE	SHINES
LACERATES	
PODUNK	ALASKANS
ABETS	STARE DAU
REV	STUCK REMS
CLIO	TARA CELIA
HUCKLEBERRY	FINN
SERIAL	TAMING
SABLE	ENATE

6/4/84

JENNIS THE MENACE



JUMBLE



THAT SCRAMBLED WORD GAME by Henry Arnold and Bob Lee

scramble these four Jumbles, a letter to each square, to form ordinary words.

ILLAC  
IGNAT  
YDWAR  
JUNNEA

Answer: DINNER JUICY AMPERE FINITE

Joey's Answer: What the frightened rock was — "PETIFIED"

WEATHER

ROPE	HIGH	LOW	ASIA	HIGH	LOW
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64	64	64	64	64	64

Stable Prices, New Methods of Recovery Lead to Quiet Gold Rush in U.S.

(Continued from Page 17)

lands has more than doubled. Above all, the new American gold rush is focused on Nevada and Northern California, where the activity seems as intense as it was back in 1848, but without the uproar and publicity of the California gold rush, or the primitive methods.

"People used to discover gold with the prospector breaking up the material and putting it in water and panning for it," said Mr. Busby, referring to the use of a sluice or pan to mix water with ore and dirt until the heavier gold nuggets settled on the bottom.

That familiar image from America's past has disappeared, except perhaps for Walnut Creek, where tourists visiting a gift shop at the rehabilitated mine can purchase a pan and a bucket of "yellow dirt" and try out panning.

The new American gold mine is an open pit operation that has been so common a fixture in coal and copper country. And the chief mining tool is the huge, heavy-duty yellow ore truck, with its giant black tires, the sort of vehicle used in highway construction. It can carry 10 tons of dirt and ore in a single trip to a nearby refinery.

The vast terraced pits follow a gold-bearing deposit down into the earth. Homestake Mining Co., the largest U.S. gold producer, is developing such an open-pit mine, a mile long and a half-mile wide, in the Lake Berryessa resort area of the Napa Valley north of San Francisco.

Other breakthroughs in gold recovery owe more to chemistry than to heavy-duty equipment. Heap leaching, for example, an old trick for squeezing every last bit of copper from ore by washing it in a cyanide or sulfuric acid solution, now allows gold miners to move far beyond the pursuit of the nuggets and gold flakes that were the staple of the last century's mines. With chemicals,

even particles of gold too microscopic to see are recovered.

The huge capital investment for open-pit mining means that most U.S. gold production is in the hands of the biggest U.S. and Canadian companies, among them Homestake, Dome Mines, Newmont, Kennecott, Noranda, Hecla, Hanna Mining, Inco Ltd., Phelps Dodge and the mining divisions of such big oil companies as Standard Oil of Ohio and Pennzoil. Some, like Newmont, Kennecott and Phelps Dodge, are pushing into gold from other, unprofitable areas, particularly copper, that have been their specialties.

But it is the little fellow who is doing most of the exploration, and some of the mining, too, at small operations scattered across North America.

Mr. Busby's Goldsil Mining of Denver typifies the breed. The company was formed five years ago as a limited partnership of small investors, with Mr. Busby putting up \$1 million, the largest amount. Its drilling rigs sank holes in the West and in Canada in search of new veins. The company finally found one, in Canada, and production is just getting under way in an open-pit operation. Meanwhile, to raise new money, Goldsil did what many of the thousands of other gold partnerships have done: It went public and its stock is traded over the counter.

The new confidence that the price of gold will remain well above production costs has set off gold booms in other countries, too. Canada is engaged in its biggest gold rush in years, particularly in the Hemlo region of Ontario, and production at Echo Bay Co.'s new Lupin Mine in the Northwest Territories is shooting up. Gold discoveries in the Amazon region have made Brazil a big power in gold production, pushing it past the United States in 1983 into third place in total production, behind South Africa and Canada.

"There's new interest all over the world because the sharp rise in prices back in 1979 and 1980 tended to spur exploration," said J.M. Lucas, gold analyst with the U.S. Bureau of Mines. "So you've got booms going now in places like Brazil, Australia, the Philippines and Peru, too. Just about everywhere these days there's a considerable interest in gold."

This gold rush is somewhat different from previous U.S. booms. The Alaskan gold rush of the late 19th century was set off by the Klondike find, with little regard for such niceties as production costs and profit margins. There was a flurry of activity in the 1930s, after President Franklin D. Roosevelt in 1933 fixed the price of gold at \$35 an ounce, a sudden jump from \$20. And gold production rose in the postwar period to a high of 2.3 million ounces in 1950, pulled along by the greatly increased mining for all metals in those boom years.

Through all those upturns, gold was valued as a form of money, a status it lost with the advent of floating exchange rates in the 1970s. Today's gold rush is driven entirely by the profit that mining companies see in taking gold from the ground at a maximum cost of \$200 to \$275 an ounce and selling it at more than \$300 an ounce.

That sort of profit potential appeared late in 1978 when the price of gold passed \$200 an ounce for the first time, and never turned back. It even shot above \$800 an ounce for a brief period in January 1980, driven in part by the Soviet intervention in Afghanistan. That set off the exploration and mine development that has pushed up American production from 964,000 ounces in 1979 to nearly two million, with most of that appearing in the last two years.

Around 30 American mines have been opened this decade.

Despite the rapid production increase, U.S. output still amounts to less than 5 percent of the world's total production, which rose from 39 million ounces in 1978 to 42.7 million ounces in 1982, the last year for which hard figures are available from the Bureau of Mines. But American production through 1982 represented the sharpest increase over a five-year period of any major producing nation.

Part of the industry's confidence about prices stems from production costs in South Africa, which provides 60 percent of the world's gold from old, deep mining operations increasingly more expensive to operate. That cost is now about \$215 an ounce and it is unlikely to fall below \$200 an ounce, even when devaluations of the South African rand push down production costs in terms of dollars, Mr. Busby said.

"When one country has that much of the market," he said, "what it costs them to produce the gold is going to determine what the rest of us are going to pay for it."

Over supply is also a potential price depressant. Gold, in fact, is always in surplus. Only part of the output is needed for jewelry and industrial uses; the rest is held by governments and investors. As this surplus rises, the price tends to drop, until it gets low enough to set off a new round of buying, even in periods of high interest rates and a strong dollar. The trigger price, Mr. Nichols said, has turned out, so far, to be above \$300.

Much investor interest is focused on the numerous small companies that have appeared since 1980 to push exploration and to operate one or two small mines, usually in the West. Goldsil was one of these. So is Pinson Mining Co., a partnership of three Canadian companies, Rayrock Mines Inc., Stace Metals Inc. and Lacuna Mines Inc., and a handful of individual investors.

Here in the middle of the northern desert of Nevada, which produces more gold than any other state, half-way up a dirt road between the gold-enamed towns of Golconda and Mides, Pinson operates a highly successful small mine and mill that exemplifies many of the qualities of the new operators and the new gold technology.

Like many other U.S. gold mining operations, the Pinson mine is on ground that was worked before and all but abandoned in the 1930s as played out. But the rising gold price prompted new activity in 1980 and the newly-formed Pinson company started exploratory drilling.

"It's no secret that price decides everything," said H. Daniel Harper, a veteran uranium and copper miner who manages the Pinson mine and its 140 workers. "You can do a lot of mining at \$350 an ounce but if gold went down to \$100 you'd see a lot of mines go out of business, including probably our own."

The Pinson mine is an open pit operation named for a French prospector who worked these parts in the last century. It taps a lode about 100 feet (30 meters) wide that drops about 250 feet into the side of the Osgood mountains.

The lode contains about three million tons of ore with a grade of .093, or .093 ounces of gold per ton. It almost went undiscovered. The newly-formed Pinson company had drilled 17 holes without finding enough gold to justify mining. The 18th was to be the last and it struck the lode now being mined.

The high-grade ore from that lode is pulverized at the company's nearby mill to a powder as fine as flour, which is then soaked in a cyanide liquid that changes the gold chemically so that it adheres to an electrode insert in the solution, plating the electrode much as chrome plates metal. In the final production step,

the gold is melted off the electrode, which looks like steel wool, and formed into bars.

Pinson also has about 2.3 million tons of ore containing no more than .04 ounces per ton of gold. That requires the processing of 25 tons of ore to produce one ounce of gold, a process considered too costly until the advent of heap leaching and the rise in the price of gold in the 1980s.

Pinson now has three "heaps" consisting of about 90,000 tons of low-grade ore spread out to a thickness of about 15 feet on clay pads with gutters running around their edges. On these heaps, a solution of cyanide and water is sprayed through rotating nozzles. As the cyanide seeps down into the heap and penetrates the ore, it draws the gold out. The gold-enriched cyanide water runs into the gutters, where it is collected and pumped to the mill for processing into gold bars.

One of those bars, weighing 1,000 to 1,200 ounces, represents a week's work, as Mr. Harper likes to note, while holding the bar in his hands.

"It seems funny that this little thing can support 140 men for a week and provide a lot of money for the partners and pay all the taxes," he said. "It's quite concentrated."

The bar has been selling for \$370,000 to \$444,000. With a production cost of \$180 per ounce, fairly typical for the new mines that have opened in the West, the profit per bar is \$190,000 to \$220,000, a healthy return for Pinson's start-up investment of \$18 million and a mine life of at least 10 years.

That sort of return tends to stimulate some very enthusiastic talk.

"Gold is a phenomenon that has very little downside and nothing but an upside," said Mr. Busby of Goldsil, which has not sold any gold yet from the mine it is developing in Canada. "So do you think we're bullish on gold?"



